Austria	Sch 18	Indonesia	Rp 2500	Portugal	Esc 80
Bahrain	Din 0.650	Italy	L 1300	S. Arabia	Rls 6.00
Belgium	BFr 42	Japan	Y550	Singapore	S$ 4.10
Canada	C$1.00	Jordan	Fils 500	Spain	Pta 110
Cyprus	C£0.60	Kuwait	Fils 500	Sri Lanka	Rup 30
Denmark	Dkr 7.25	Lebanon	£L 8.00	Sweden	Skr 6.50
Egypt	E£1.00	Luxembourg	LFr 42	Switzerland	SFr 2.20
Finland	Fmk 6.00	Malaysia	Rm 4.25	Taiwan	NT $85
France	FFr 6.00	Mexico	Pes. 300	Tunisia	Din 0.600
Germany	DM 2.20	Morocco	Dh 6.00	Turkey	L 210
Greece	Dr 70	Netherlands	Fl 2.50	U.A.E.	Dh 6.50
Hong Kong	HK$ 12	Norway	Nkr 6.00	U.S.A.	$1.00
India	Rup. 15	Philippines	Pes. 20		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,794 Monday December 2 1985 D 8523 B

Gatt seeks a way through the landmines, Page 5

World news

Former Rumasa head held in Spain

José Maria Ruiz-Mateos, former head of the Rumasa business empire, has been remanded in custody at a high security prison outside Madrid after being extradited by West Germany.

The 54-year-old financier, whose interests were seized by the Spanish Government in 1983, faces trial on two charges of accounting fraud.

These involve the alleged invention of false credits aimed at covering losses in the group's banks, and the alleged overvaluation of Rumasa assets. Page 3

Animal test ban loses

A proposal to ban animal experiments in Switzerland, which could have cost over 10,000 jobs in the chemical industry, was rejected by more than two thirds of voters in a referendum.

Bhopal anger

Indian authorities stepped up attacks on Union Carbide as the first anniversary of the gas tragedy at Bhopal approached. Police arrested more than 100 people in an attempt to head off violence during planned demonstrations on Tuesday. Page 2

Punjab violence

A security clampdown has been imposed in Punjab, north India, after three people died and five were wounded in renewed violence by Sikh extremists.

Sri Lanka attacks

Two security men were killed by Tamil guerrillas in separate grenade attacks in Sri Lanka's Eastern Province, officials said.

Lebanon toll falls

Violence in Lebanon claimed 130 lives last month, the lowest death toll since the total of 73 in January, and well below the 385 recorded in October.

Taba talks resume

Israeli Premier Shimon Peres won Cabinet support for sending officials to Cairo to resume talks on the Taba border dispute with Egypt.

Hijack victim

An Israeli woman shot last week by hijackers of an Egyptian airliner has died of her wounds, Israel Radio said, bringing the total number dead to 60.

Aquino petitioned

Corazon Aquino, widow of murdered Philippine opposition leader Benigno Aquino, has received 1m signatures urging her to stand against President Ferdinand Marcos in elections next year.

Troop cuts sought

The Spanish Government will seek formal talks with Washington to reduce the 120,000-strong US troop presence.

Kohl in Nobel plea

West German Chancellor Helmut Kohl has asked Norway's Nobel Prize committee to deny the 1985 Peace Prize to Soviet doctor Yevgeny Chazov, citing human rights abuses.

Irish police talks

Irish Police Commissioner Lawrence Wren and Royal Ulster Constabulary Chief Constable Sir John Hermon are to meet this week for the first time in two years in a big step forward for cross-border security. Page 7

Mao reprinted

Mao Tsetung has been resurrected by the Chinese press, with a 46-year-old speech reprinted on most front pages, as the Government continues its fight to end student unrest. Page 2

Dearer petrol

Petrol prices rose by 15 per cent in Greece and by 20 to 30 per cent in Poland.

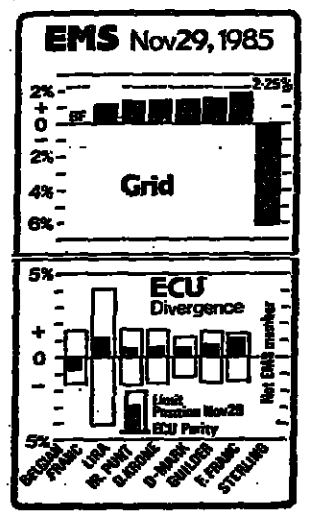
Business summary

ITC back to talks on tin crisis

EMERGENCY meeting of the International Tin Council reconvenes today with little prospect of resolving the stalemate in trading. At the ITC's last session on November 21, its members pledged that the meeting starting today would sit until a definite decision had been reached on whether to honour the council's debts. The trading crisis dates from October 24. Page 20

TOKYO share price closed slightly higher in Saturday's half day of trading. The Nikkei index rose 16.26 to 12,779.53 in light trading of 170m shares. Share prices, Page 37

EUROPEAN Monetary System: The Belgian franc was a little weaker against the D-Mark but showed only a small change in relation to its Ecu central rate. Its decline against the D-Mark followed a further sharp fall in the value of the dollar. This usually creates a situation where funds are switched from dollars into D-Marks at a greater rate than into weaker EMS members. The Belgian franc, however, stayed comfortably within its divergence limit and was not seen to be under any pressure. Trading was quiet overall with volume already affected by proximity of Christmas and the year-end.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

NEPAL devalued the rupee by 14.7 per cent against leading currencies in a move to improve the country's balance of payments.

RUPERT MURDOCH announced terms of the $1.45bn refinancing of the Metromedia "junk bonds" that he took on with the acquisition of seven Metromedia television stations. Page 21

HUDSON'S BAY Company, troubled Canadian trading group, cut losses to C$113.7m ($82.4m) in the nine months to September 30, compared with C$166.4m in the same period last year. Page 24

CANADA is considering legislation to tighten supervision of banks and other financial institutions following the collapse of two Alberta banks. Page 2

BANK of Nova Scotia, Canada's fourth-largest bank, increased net income in the fourth quarter, helped in part by the decline in North American interest rates. Page 21

EUROBONDS: Investors have been slow to join borrowers in recognising the opportunities for swaps. Page 21

US TREASURY Secretary James Baker's wish to hear pledges from international bankers on easing the debt crisis has placed pressure on a bankers' meeting to be held tomorrow. Page 21

SAUDI ARABIAN Monetary Agency (Sama) asked country's banks to report their non-performing loans in an attempt to monitor a situation in which as many as 25 per cent of loans by Saudi banks are estimated to be non-performing. Page 25

PYRAMID SHARE-DEALING PROMPTS INDEFINITE CLOSURE

Singapore SE shut after collapse of Pan-Electric

BY CHRIS SHERWELL IN SINGAPORE

SINGAPORE'S stock market, Asia's largest after Tokyo and Hong Kong, will be closed indefinitely from today in anticipation of a chain of default on forward share contracts springing from the collapse of Pan-Electric Industries, a local publicly quoted company.

The dramatic action is unprecedented and according to some bankers is a disaster for Singapore as a financial centre, unless it presages a wholesale "clean out" by the authorities to end the kind of pyramid share-dealing which precipitated the current crisis.

It was unclear last night whether Malaysia's Kuala Lumpur Stock Exchange, which is linked to Singapore's, would follow suit, although such a move seemed likely. Trading in Malaysian and Singapore stocks quoted in London also seems certain to be affected.

The suspension followed the appointment on Saturday of the accountants Price Waterhouse as receiver and manager for Pan-Electric, a marine salvage and property development group with debts totalling at least S$400m ($191m).

The appointment was made by a group of foreign bank creditors after the failure of 11 days of rescue talks with a key shareholder, Mr Tan Koon Swan, a Malaysian entrepreneur and politician who indirectly holds 22.6 per cent of Pan-Electric shares.

In a statement at the weekend, the banks said they had appointed a receiver with "extreme reluctance" but claimed that "certain action" to be performed by Mr Tan had "not been performed in full."

Mr Tan said last night that the conditions for his role in the rescue efforts had not been met, and that he was "in no way responsible" for its abandonment.

Although the immediate reason for Pan-Electric's troubles was a failure to make a debt repayment due on November 18, the more important problem was a series of forward share transactions worth at least S$140m involving the Pan-Electric group, Mr Tan's business empire and several other companies.

Such transactions, in which shares are bought and sold on a forward basis and used as collateral to raise cash, have long been a standard feature of stock market dealings in Singapore and Kuala Lumpur. Pan-Electric's troubles have glaringly exposed the pyramid

Last week, James Capel, the London stockbrokers, had to pay up at least S$27m because a Pan-Electric subsidiary reneged on a deal. Several local stockbrokers face similar problems in the coming weeks.

At least one other quoted company and two local stockbroking firms are now at risk as a result of the Pan-Electric crisis and criminal proceedings seem likely against certain directors.

Other Singapore and Malaysian companies unconnected with the affair may also be victims of forward share transactions which break down.

Also embarrassingly affected is the share offer by Singapore International Airlines, the island state's flag carrier. Foreign investors took up S$200m worth of shares in the airline last week and now see the market where the shares are to be traded has suddenly been closed.

Reform of the country's ostensibly self-regulating exchange now seems certain. Last night, the exchange said it would be submitting a scheme for the strengthening of the securities industry

World stock markets, Page 37

S. African unions issue ultimatum on pass laws

BY ANTHONY ROBINSON IN DURBAN

SOUTH AFRICA'S largest trade union federation was launched at a mass rally in Durban yesterday with a fiery speech from its newly-elected president, Mr Elijah Barayi, in which he called for abolition of the pass laws, nationalisation of mines and major industries and declared "full support for the campaign of disinvestment."

If President P.W. Botha did not within six months abolish the pass laws – which require blacks at all times to carry documents proving that they have permission to work or live in or near white areas – the new federation would spearhead a campaign of civil disobedience and pass-burning similar to that of the early 1960s.

The gathering of thousands of blacks burning their passes and offering themselves to the police for mass arrest 25 years ago led directly to the Sharpeville massacre when 60 blacks were killed as police fired on demonstrators protesting against the passes.

The President's Council, the top-level government advisory body, last September recommended scrapping the pass laws in favour of a policy of orderly urbanisation. But the Government has not yet made a decision on this contentious issue, one of the most resented aspects of apartheid legislation.

The new federation, called the Congress of South African Trade Unions (Cosatu) is the fruit of four years of complex inter-union negotiations, and links together 34 industrial and general unions which claim a membership of 450,520. It is the biggest and most powerful union organisation ever to emerge in South Africa, representing workers in the mining, engineering, motor, retailing food, textile and transport industries.

In an interview after the rally, which was attended by about 10,000 trade unionists from all over the country, Mr Barayi, the 60-year-old vice president of the National Union of Miners, and former African National Congress (ANC) activist, said the federation's main function would be to "organise and educate the black masses not just on wage and bread-and-butter issues but on broader political issues, too."

Specifically, the new federation is calling for abolition of the pass laws and influx control, "so that blacks can live and work where they want," the removal of troops from black townships, equal education for all and an end to the migrant labour system.

"It was in this context that the federation supports foreign pressure on the Government through disinvestment," Mr Barayi said.

"If fully applied, disinvestment would pressure the Government to dismantle apartheid, and it is a great pity that the US and Britain are still supporting the Government. Everyone would suffer from disinvestment, and that includes the whites. But that is better than one section continuing to benefit from apartheid. Let us all suffer together; that will force the Government to abolish apartheid," he said.

Jim Jones in Johannesburg adds: South African business leaders met

Continued on Page 20

European bid to save Westland

BY BRIDGET BLOOM IN LONDON AND JAMES BUXTON IN ROME

THREE EUROPEAN aviation companies are expected to make a formal bid this week to rescue Westland, the financially troubled British helicopter manufacturer.

It is also understood that Fiat, Italy's private sector industrial conglomerate, is to negotiate jointly with Sikorsky of the US to take a substantial minority stake in the company as part of a financial rescue operation.

No firm details were available last night of the joint approach involving the French company Aerospatiale, Messerschmitt-Bölkow-Blohm of West Germany, and Agusta of Italy. It follows several days of hectic negotiations in London, Rome, Paris and Munich.

The unprecedented joint European effort has been spurred on by Mr Michael Heseltine, the UK Defence Secretary, who desires to rationalise Europe's helicopter industry, where four manufacturers presently chase too few orders in the teeth of efficient US competition.

In their joint move, Fiat and Sikorsky, it is believed, would divide up equally a 29.9 per cent stake in the British company.

Westland said yesterday that it was "far advanced with negotiations" aimed at establishing "strong international links which will include a European partner."

The possible entry of Fiat into Westland, with Sikorsky, would make the US company's involvement more acceptable to those who believe that there should be a European solution to Westland's difficulties. It would also mean an expansion of the Italian company's interests in aviation and defence, and could, it it believed, herald changes in the ownership of the Italian helicopter industry.

Fiat declined to comment on its possible interest in Westland.

Involvement in the ownership of Westland would automatically give Fiat close link s with Agusta, the Italian state-controlled helicopter manufacturer because of the joint helicopter projects that the British and Italian companies are working on. These projects – the Agusta 129 anti-tank helicopter and the EH101 naval helicopter – make the future of Westland crucial to Agusta.

On Saturday Fiat declined to comment on an Italian press report that it was negotiating to acquire a 15 per cent stake in Agusta, which has financial problems of its own. The ownership structure of the state-controlled Italian aerospace industry has been under intense discussion at government level in recent weeks, and observers do not rule out changes in the near future.

Fiat has made no secret of its desire to expand in the defence and aviation fields. It is keen to participate in the US Strategic Defence Initiative project, and is increasing its controlling stake in Snia BPD, Italy's leading maker of sophisticated munitions and rocket fuel.

Continued on Page 20

Argyll set to launch £1.8bn bid for Distillers

By Lionel Barber in London

ARGYLL, the UK supermarket group, will launch today one of the largest takeover bids in British corporate history with its £1.8bn ($2.66bn) hostile offer for Distillers, the Scotch whisky combine, whose brands include Johnnie Walker, Haig and Dewars.

It is expected that Argyll, led by Mr James Gulliver, will make a cash and paper offer valuing Distillers (DCL) at around 510p per share, precisely where its shares closed on Friday. There will be a full cash alternative of around 480p per share.

An unusual feature of what the stock market expects will be a momentous battle, is the expected participation of General Electric Company (GEC), the British electronic, engineering and telecommunications group, in underwriting the bid.

GEC holds around 3.5 per cent of DCL, having accumulated a stake early last year when the shares stood at between 220p and 270p. The purchase was the first equity investment under GEC's plan to invest part of its £1.5bn cash surplus.

Argyll's market capitalisation of £674m is well short of the £1.8bn at which DCL was capitalised last Friday when its shares closed at 510p. The bid will therefore require extensive underwriting, though mostly by London financial institutions.

Mr Gulliver is expected to reveal at a press conference in Edinburgh today that his offer will be two-tiered, with the 510 per share split one-third cash and two-thirds Argyll paper alongside the full cash alternative of 480p.

Mr Gulliver is also likely to reveal a pre-tax profits rise for the half year to last September of around 20 per cent to nearly £29m.

Argyll is advised by Samuel Montagu and Charterhouse Japhet. The merchant bank's respective clearing bank parents, Midland and Royal Bank of Scotland, are expected to lead the loan financing for the bid.

DCL, advised by Kleinwort Benson and Robert Fleming, is to hold a board meeting this morning in London to discuss defence tactics.

In a separate bid development, the Imperial Group and United Biscuits are expected to announce today the terms of their planned £1bn merger. The terms are likely to value United at around 300p per share.

Mr Geoffrey Kent is expected to be appointed as the group's new executive chairman. Sir Hector Laing, chairman of United, is expected to be named as group chief executive.

Lex, Page 20

EEC close to agreement on reforms

BY QUENTIN PEEL IN LUXEMBOURG

EIGHT of the 10 EEC member-states were last night in sight of agreement on a compromise package of reforms intended to revitalise and reinforce the Community. The package is to be presented to the heads of government at their summit today.

The fate of the plans still hangs in the balance, however, with Denmark and Italy both seeking substantial changes, in opposite directions. The Ten must be unanimous to agree on any reform of the Treaty of Rome.

The EEC foreign ministers, joined by their colleagues from Spain and Portugal which become members on January 1, made significant progress at the weekend in two days of talks in Luxembourg to remove some outstanding differences.

The package to be presented to the summit will include a new treaty of foreign policy co-operation, plans to streamline decision-making on measures to remove national barriers to a single Common Market, and a new deal for the European Parliament to have a bigger role in the process.

Key differences remain on whether to include monetary affairs in the revised treaty, including a clause to institutionalise the European Monetary System (EMS), and on the extent of powers for the parliament. The chapters on technology co-operation, the environment and cohesion – more aid for the poorest regions – are virtually agreed.

There are still specific problems on the moves to have more majority voting, with Britain and Ireland looking for an exception on quarantine regulations and Denmark demanding a guarantee that it can maintain higher environmental standards.

The Danish position remained very tough yesterday, both on the environmental question and on any plan to increase the powers of the European Parliament.

Italy is also adamant that the proposal for the directly elected assembly, giving MEPs a power of amendment but no final say over legislation, be changed. But Rome wants it to become a power of genuine joint decision-making.

However, West Germany yesterday relaxed its demand for special treatment on high environmental standards, taking a key obstacle from the path of agreement on a compromise.

In another significant shift of position, France decided to back the European Commission in its bid to have the internal market defined as an "area without frontiers," rather than any more restrictive, purely economic concept, favoured by others such as Britain.

The UK, represented by Sir Geoffrey Howe, the Foreign Minister,

Continued on Page 20

UK and US may cut securities barriers

BY BARRY RILEY IN LONDON

REGULATORY authorities in the UK and the US are to seek a more formal basis for the exchange of information on transactions in the securities markets.

Mr Michael Howard, the minister responsible for corporate and consumer affairs, is aiming to reduce the regulatory barriers which inhibit Americans from certain forms of trading in London's financial markets.

Mr Howard, who has returned from a week-long visit to Washington, New York and Chicago, said in an interview that he expected talks early in the new year with the US Securities and Exchange Commission (SEC) which could lead to "a more formal relationship."

These would enhance the existing more informal contacts that have already been taking place, for instance between the SEC's enforcement division and officers in the fraud squad in London.

It was not clear, however, how the different agencies in London would be involved. Regulation and investigation in the UK are split between bodies such as the Department of Trade and Industry, the fraud squad, the department of the Director of Public Prosecutions, and in due course, the new Securities and Investments Board.

"We haven't yet worked out whether the exchange will be government to government or agency to agency," Mr Howard said.

Americans have become increasingly concerned about the effect

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CONTENTS

THE BHOPAL POISON GAS DISASTER

The arguments and the suffering continue one year on

BY JOHN ELLIOTT IN NEW DELHI

A YEAR AGO tomorrow a peaceful little-known Moslem city in central India woke up to find its streets littered with the dead and dying.

The release of poisonous gas cloud from a nearby pesticides factory built with US technology over 2,000 people and injured thousands more, thrusting Bhopal to centre stage as the site of the world's worst industrial disaster.

Tomorrow Bhopal will remember its dead. Trade unionists and political activists are staging a series of marches and there is to be a candlelight procession. The marchers will see around them a few of the 14,000 who became seriously ill as a result of the tragedy and many of the 300,000 who, according to local government estimates, have been affected by the gas.

Effigies will be burned of Mr Warren Anderson, chairman of Union Carbide, the US company which owns the factory where the leak occurred. He is being ridiculed in India for suggesting recently that the leak resulted from sabotage by Sikh extremists.

The Government of the state of Madhya Pradesh, of which Bhopal is the capital, says that over 3,000 people still visit health clinics every day, that 200,000 have had eye complaints (though there has been no blindness), and that several hundred are suffering from serious anxiety and other mental disorders.

"The people first felt a burning sensation in the eyes and then a choking sensation. It was one of the coldest nights in Bhopal. Tens of thousands, who were suddenly woken up and who did not know what had hit them, started running helter skelter. The more they ran, the more gas they gulped. Many of them were unknowingly running in the direction of the wind carrying the gas and thus rushing into a death trap," says a report by the state government.

Most of those affected were poor slum dwellers living in a shanty town which the state government had allowed to develop on the edge of the factory site. Many were undernourished and in poor health. Estimates of 500 miscarriages and still-births among 2,700 women pregnant that night are said to be not unusually high for such people, although there are no reliable statistical records available for comparison.

"The long-term effects of the gas will be known only after a year to 18 months," says Dr N. R. Bhanda, a paediatrics expert and medical superintendant of Bhopal's main Hamidia hospital.

Doctors are still arguing about treatment needed because they cannot agree on the precise role played by cyanide in the leaking methyl isocyanate (MIC) gas. The question is whether patients' current complaints of lethargy, breathlessness and loss of muscle power are the result of continuing cyanide action in their blood or simply the after-effects of initial poisoning.

A woman is taken from the squatter camp on the day of the Bhopal gas leak

Scientists, engineers, business executives and lawyers are still arguing about exactly how the gas leaked. Neither an Indian government scientific inquiry nor a police investigation team has yet published a report.

A one-man judicial inquiry set up in Madhya Pradesh is continuing its work slowly. It convened last Thursday for the first time in three months amid rumours it might be wound up once compensation claims are heard in the courts.

Efforts to reach an out of court settlement have failed so far. Five months ago India rejected a company offer believed to total $240m compensation over about 30 years, which officials estimate is worth $125m at present prices.

India wants far more, although Mr Ashoke Sen, the Law Minister, has denied it is asking for as much as $5bn. Out of court talks could start again once the two sides know who has won the initial argument about where the action is to be heard.

The state and central Governments say they have spent about $33m on relief and administration work which will require a further $50m and that another $55m will be needed for rehabilitation, including remedial employment centres.

Court action could bring into the open for the first time the question of whether the Madhya Pradesh Government or the central Indian Government should take a share of the responsibility for allowing dwellings to be built near such a dangerous factory and over the question of adequate checking on the factory's safety provisions. So far both have deflected any major criticism of their roles.

Some officials in India argue that it is not fair to expect a developing country to be capable of adequate checking sophisticated processes and that it must therefore be the job of multinationals to ensure safety.

The Madhya Pradesh Government has tried to strengthen its case by arguing, in evidence to the judicial commission, that the design, construction and maintenance of the plant supplied by Union Carbide's US company was defective.

In its evidence the Madhya Pradesh Goverment said: "No inspecting agency could reasonably be expected to possess super experts to probe deep into designing faults or defects in fabrication of the plant and machinery and ensure their proper maintenance under any statutory or other provisions."

Like Governments in many parts of the world, India has gone to considerable lengths to improve its chemical plant safety precautions in the past year. But there are regular reports of other leaks causing deaths and injury, which would not have led to much comment before the Bhopal disaster.

The Indian Labour Ministry has developed a safety plan for state governments to operate, and factories acts may be amended. The Department of the Environment is being more rigorous about the siting of hazardous processes and the Chemicals Ministry is insisting on inspection and testing of safety measures before new plants start trial production.

Companies are also stepping up their protection against possible disasters, and senior executives of the most well-known and respected international chemical companies are prepared to admit privately that they have operated some plants in India that are too old and dangerous for adequate safety.

Union Carbide's own India off-shoot which ran the Bhopal plant, now permanently shut down, has started planning for possible disasters for the first time at its other factories, having had a good basic industrial safety record in the past.

"We are asking 'What if?' which we didn't do before," says Mr V. P. Gokhale, the 49-years-old managing director of Union Carbide India.

Alfonsin and Sarney give Baker plan qualified backing

BY JIMMY BURNS IN BUENOS AIRES

ARGENTINA AND Brazil at the weekend dubbed the Baker plan for dealing with Third World debt as a "positive" if "insufficient" step forward, but called for a deepening of "political dialogue" and a more far-reaching strategy for solving the region's problems.

The qualified endorsement of a moderate approach to Latin America's debt of more than $350bn (£238bn)—avoiding explicit talk of moratoriums but hinting at hard bargaining in the months ahead—emerged at the end of a two-day summit between Mr Raul Alfonsin, the Argentine President, and Mr Jose Sarney, his Brazilian counterpart, in the border town of Foz de Iguazu.

The statement by two of the region's major debtors is likely to set the parameters for a meeting in Montevideo in two weeks' time of the Cartegena group of Latin American debtor countries, during which a common response to the Baker initiative is expected to be formulated.

In a 16-page joint statement covering various aspects of international and bilateral relations, including Central America and the Falklands, the two presidents again urged a reduction of interest rates and a lifting of protectionist barriers while forecfully reviving the ideal of an integrated Latin America to increase the region's bargaining position.

"There is an urgent need for Latin America to reinforce its power to negotiate with the rest of the world," the final document said.

The most significant practical result of the meeting was the establishment of a joint working committee to discuss ways of increasing bilateral nuclear co-operation, including the possible creation of a local system of mutual safeguards to allow the region greater autonomy from international supervisory agencies, such as the International Atomic Energy Association.

Argentina, in particular, has always argued that existing international non-proliferation treaties provide industrialised nations with an unfair advantage and that the restriction in the supply of nuclear equipment and material inhibits the development of economically viable nuclear programmes in the Third World.

● Mr Paul Volcker, US Federal Reserve Board chairman, said Washington would work with Latin America to achieve sustained growth and thus tackle the region's debt problem, Reuter reports from Caracas.

"Our role is to support growth and open markets and to work with Latin America to set the stage for more efficient growth policies," Mr Volcker said on Saturday.

Mr Volcker flew in after a visit to Argentina

Union Carbide finds uncertainty abounds on every side

BY TERRY DODSWORTH IN NEW YORK

FOR YEARS, Union Carbide, the US chemical company, seemed to be a solid, if dull, performer in an industry with an assured future. Today, it would be difficult to find a more complete contrast.

Uncertainty abounds on every side: on the outcome of legal claims over the poison gas disaster in Bhopal, over the effectiveness of the company's radical reorganisation plan, and, not least, over the possibility of a hostile takeover bid.

Equally disturbing is the fact that the central issue—the legal claims against the company—cannot be quickly resolved. The courts go at their own, exceedingly slow, pace—hardly surprising in a case which already involves 119 private suits in the US (there are others in India), the Indian government and teams of lawyers.

Union Carbide's strategy for dealing with these issues has become progressively more aggressive

On the legal question, it is hoping to limit the damage by arriving at a negotiated settlement with the Indian authorities. To achieve this, it is attempting to move the case out of the US courts, where damages would almost certainly be higher, and put the issue under Indian jurisdiction. Oral evidence on where the claims should be tried is due to be heard in early January.

The company has also stepped up its legal propaganda campaign by claiming more and more openly that there is reason to believe the Bhopal gas leak was caused by sabotage rather than corporate negligence.

On corporate restructuring, Carbide has made some headway since the disaster. It has reduced staff by 4,600, against a target of 4,000, bought back 3m of its own shares in the open market, and sold its welding businesses for $70m (£47m).

It also believes it will be able to announce the disposal of one of its largest divisions in the near future, putting it well on the path towards the $500m of asset divestments it is aiming to achieve. In addition it has taken the first steps towards tapping its over-funded pension plan for $500m of surplus funds.

Analysts have broadly welcomed these steps as positive for future earnings. Union Carbide shares are currently trading at around $60, against the $35.25 they hit immediately after Bhopal. Wall Street has doubts, however, over whether the plan, for all its financial finesse, can be effectively implemented within the traditional bureaucratic Carbide structure.

Management has been streamlined and reorganised, but the company still has to prove that it is dynamic enough to overcome all the tests still to be faced over Bhopal.

Indeed, part of the increase in the share price reflects speculation that the present management may be forced out via a takeover.

Speculation, however, remains a dangerous business while the legal isues are unresolved. Even now estimates of likely damages for Bhopal range from $500m on Wall Street, to $1bn among the law firms.

If the judge decides the case can be heard in the US, guesstimates may well go even higher.

Canada considers laws on tighter bank supervision

BY BERNARD SIMON IN TORONTO

THE Canadian Government has unveiled a number of measures to tighten supervision of banks and other federally regulated financial institutions in the wake of shortcomings exposed by the collapse of two small Alberta banks last September and other recent events.

Under draft legislation published last Friday, the federal authorities will be able to block mergers and acquisitions of institutions deemed to be against the public interest. All banks and some trust and insurance companies are regulated by the federal government.

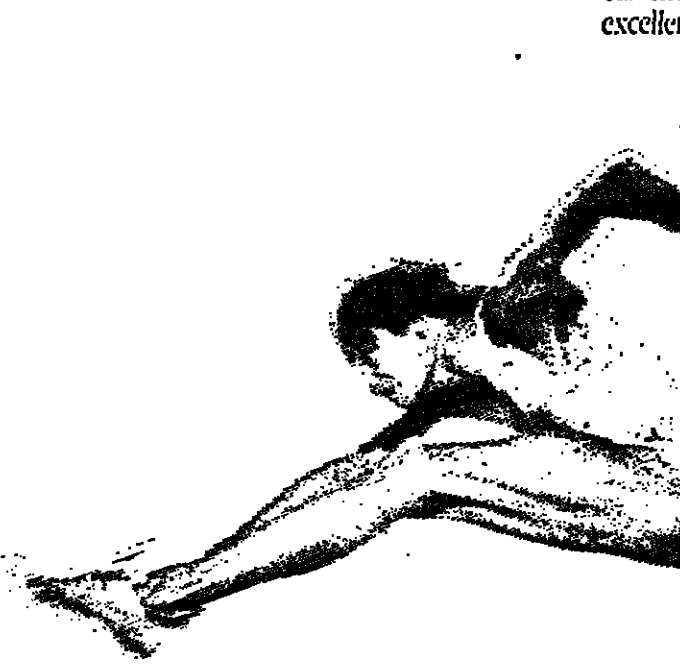
Federal supervisors will also be empowered to bar managers from pursuing "questionable" business practices, and to hire independent appraisers to determine the realistic value of an institution's real estate assets.

The slump in Western Canadian property markets since the 1979-80 energy boom has deeply dented the value of many institutions' property portfolios.

Mrs Barbara McDougall, Minister of State for Finance, announced that the Government had comissioned a management consultant to examine the office of the inspector-general of banks, the chief regulator of Canadian banks. The study will be carried out by Mr Warren Chippindale, chairman of the Canadian branch of the auditing firm Coopers and Lybrand.

The future of the present inspector-general, Mr William Kennett, is uncertain in the wake of the collapse of the two Alberta banks. Their troubles have been blamed partly on inadequate supervision by the authorities.

Another Bill tabled in parliament provides for a start to the restructuring of the Canada Deposit Insurance Corp.



US groups urge end to schools apartheid

BY JIM JONES IN JOHANNESBURG

COINCIDING with a wide-spread boycott of year-end examinations by protesting black schoolchildren, 186 of the largest US companies operating in South Africa have called on the Government to abolish racially divided education.

In a 15-page memorandum sent to Mr F. W. De Klerk, the Minister of National Education, the companies, which are all signatories to the Sullivan Code on black employment practices, said that an immediate objective was the upgrading of 100,000 under-qualified black teachers. The memorandum added that educational reform would lack credibility with the majority of South Africans unless it is accompanied by a commitment to eliminate apartheid.

The lack of properly qualified teachers is seen by black pupils as the single most important factor hampering their progress at school and is the most likely cause of school boycotts, the American companies believe.

They declared their preparedness to contribute to the financing of teacher up-grading programmes and offered to help improve teacher training and learning through independent programmes outside the official system.

In another development, an independent investigation by South Africa's white opposition Progressive Federal Party (PFP) blames police handling of a peaceful protest for 13 deaths on November 21 in the black township of Mamelodi. According to eye-witnesses interviewed by PFP parliamentarian, Mr Peter Soal, the slayings took place when police opened fire on a crowd of peaceful protesters fleeing after being tear-gassed.

Mr Soal believes that the police were inadequately equipped to handle the demonstration. The report adds, however, that the police had no excuse for being ill-equipped as they had had 36 hours advance notice that township residents were preparing to march to the township administration offices to present a list of grievances.

Mr Soal says that the 50,000 demonstrators could not have heard police instructions to disperse as the loud hailer used was faulty. He reports township residents as contradicting police allegations that residents had been coerced into joining the protest. And he cites witnesses as saying that the police fired on the crowd from a helicopter.

Mr Soal has called for a judicial commission of inquiry into the event.

● Mrs Molly Blackburn, a PFP provincial councillor, has alleged that the South African Defence Force (SADF) has been showing white soldiers video films "calculated to inflame anti-black feelings."

Mrs Blackburn's allegations preceded South African press reports yesterday that magistrates and prosecutors in Durban were secretly shown films on November 19 of violent unrest, to inform them of what is "really happening." According to the Sunday Star and the Sunday Tribune, the showings and meetings with SADF officers were the first in a nation-wide series of such meetings.

This has led to fears in legal circles that the judiciary may have been "irrevocably compromised." The police, who organised the meeting, say that they had no sinister intention.

Peking prints Mao speech

THE Chinese Press yesterday splashed across their front pages a 46-year-old speech by former leader Mao Tse-tung as the Government stepped up its effort to end student unrest, writes Robert Thomson in Peking.

The Chinese leadership has mounted a campaign—including daily newspaper reports, and a series of meetings between party officials and students—in recent weeks to "educate" students, following several embarrassing anti-Japanese protests in Peking and other cities.

Mao's speech deals with the rise of the December 9 Movement in 1935. It is feared the 50th anniversary of the movement could provide a rallying point for further protests against the "Japanese economic invasion," and for the airing of any other student complaints.

The December 9 Movement was founded by students protesting against Japanese aggression. In his speech, Mao said the students then were "much wiser than we were."

Diplomats say, however, that it would be wrong to conclude that Mao's return in print reflects a rise of Maoist-inspired, anti-reformist opposition. They say the present leadership has mounted its campaign to head off further protests

Top Chinese to visit Hong Kong

By David Dodwell in Hong Kong

JI PENGFEI, Peking's leading official on Hong Kong affairs who recently warned against rapid political change in the territory, is to visit Hong Kong this month at the invitation of Sir Edward Youde, the Governor.

Ji will be the most senior Chinese official ever to visit Hong Kong. Precise dates for his visit have not been revealed, but he will arrive amid simmering debate over the pace and direction of political change ahead of 1997, when Hong Kong returns to Chinese sovereignty.

Xu Jiatun, head of the New China News Agency in Hong Kong and China's most senior official in the territory, caused a political stir 10 days ago when he suggested British officials had deviated from the letter and spirit of the joint declaration on Hong Kong's future, and said that China was unhappy to see rapid political change.

Ji was once China's Foreign Minister, and is now a state councillor and heads the Hong Kong and Macao Office of the State Council in Peking. He has been closely linked with the idea of "one country, two systems" that has played a critical part in Peking's efforts to re-unite the socialist mainland with capitalist Hong Kong, Macao and Taiwan.

Among officials visiting Hong Kong with Ji Pengfei will be Li Hou, his deputy.

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Israelis apologise to US over 'spy'

By Lynne Richardson in Tel Aviv and Reginald Dale in Washington

THE ISRAELI Government yesterday apoligised to the US over the Pollard spy case affair and promised to dismantle the intelligence unit involved if the allegations that it was spying on the US are confirmed.

The long-delayed official reaction to the spy scandal, announced yesterday by Mr Yossi Bilin, the Cabinet secretary, said the Israeli Government "would spare no effort in investigating this case thoroughly and completely."

While insisting that the Israelis' own inquiry is still incomplete" and thus the Government of Israel is not yet in possession of all the facts, the statement made it clear that, if the result confirmed the US allegations, "the unit involved in this activity will be completely and permanently dismantled" and those responsible brought to account.

Alluding to the close relationship between Israel and the US the statement concludes by saying "spying on the US is in total contradiction to our policy. Such activity, to the extent that it did take place, was wrong and the Government of Israel apologises."

Mr George Shultz, the US Secretary of State, quickly accepted the Israeli apology, which was seen in Washington as going a lon way towards defusing the tension between the two countries that built up throughout last week over the Pollard affair.

Mr Stephen Trott, the US Assistant Attorney General responsible for prosecuting espionage cases, said that he regarded the Israeli statemen as an invitation to the US to pursue its own investigations by interviewing Israeli officials who might be involved, one of Washington's main demands.

The US was very pleased with Israel's latest pledge to cooperate. The US has been seeking to question two Israeli diplomats hastily recalled from Washington on November 22, the day after Mr Pollard was arrested. Mr Trott said that it did not matter whether the officials were interviewed in Israel of the US provided that US investigators coud "look them in the face."

President Ronald Reagan devoted his weekend radio broadcast to the recent rash of US espionage scandals but did not mention the Pollard case, or Israel by name. He stressed however that the US "will not hesitate to root out and prosecute the spies of any nation. We'll let the chips fall where they may."

While affirming that "many nations spy on the US," Mr Reagan identified the main threat as the Soviet Union and it's allies. He attributed the recent spate of arrests both to an increase in the amount of espionage and to more aggressive efforts by the US authorities to track down spies.

Mr Richard Helms, a former director of the CIA, said that governments habitually spied on their friends as in the Pollard case, as well as on their enemies. There were no Queensberry Rules. Asked if the US spied on its Nato allies, Mr Helms replied: "I hope so."

UAE to build naval base

The United Arab Emirates (UAE) is to build a large naval base to protect its offshore oil installations, agencies report.

Abu Dhabi Crown Prince Sheikh Khalifa bin Zaid al-Nahayan, the UAE armed forces deputy commande, said design work on the naval complex to be built about 45 miles north-east of Abu Dhabi on Taweelah Island, would begin next year.

Western defence analysts say the Emirates have about 15 naval vessels, six of which are fast attack craft armed with French Exocet anti-ship missiles.

Sheikh Khalifa said the UAE wa giving the Navy a special importance and greater responsibilities. About 40 per cent of Abu Dhabi's oil is offshore

What the EEC reforms may cover

BY QUENTIN PEEL

THE WHOLE exercise to reform the European Community, to be aproved or rejected by EEC leaders today and tomorrow, means just one thing at heart: can they each accept a reduction in national sovereignty in order to achieve a more united Europe?

The package negotiated by top officials and foreign ministers over the past three months, though still full of holes, centres ways of increasing the use of majority voting in decision-making, and reducing the ned for unanimity.

It would also result in some increase in the role of European institutions, such as the European Parilament and the European Commission, with the inevitable result of some loss in the powers of comparable national bodies.

The detail still looks dauntingly complex to any outsider. Here is a glossary of some of the key concepts at issue.

The Treaty of Rome: the founding document of the Community, 240 articles with the status of national law in each member state, setting out their agreed objectives. Any subject not included—such as environmental protection—requires unanimous decision-taking by the mebers. So do a range of specific questions needed to open up a genuine Comon Market.

Completing the internal market: The process of removing the remaining national barriers to a single, EEC-wide market—not only the bureaucracy at customs posts, but also differing industrial standards, exchange controls, and so on. Everyone agrees the process should be finished by 1992. Equally, most member states have special cases for exceptions

Qualified majority voting: The system which gives each member state a specific weighted vote, according to its size, and sets a specific number of votes required to approve (or reject) any decision. In theory, it should be easier to take decisions than by unanimity.

The Luxembourg compromise: It should be called the Luxembourg "disagreement," whereby five member states (Britain, Denmark, France, Greece and Ireland) recognise the right of any one to cite a "vital national interest," and thus prevent even a majority vote being called. It is the ultimate safeguard clause for national interest,

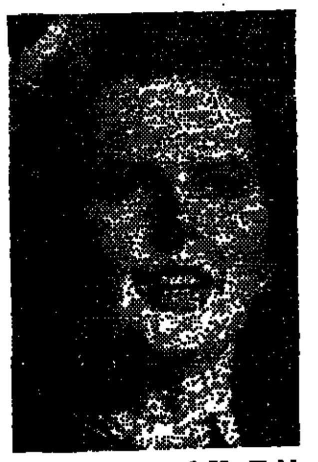
Cohesion: Also known as solidarity. The aim of helping the poorer member states (Greece, Ireland and Portugal in particular) catch up with the richer. Not to be confused with economic convergence, which is the process of getting everybody to conduct consistent economic policies.

Monetary capacity: Putting some authority for monetary policy into the Rome Treaty, in order to underpin creation of a real Common Market with a coordinated monetary policy. The UK and West Germany suspect it will undermine the autonomy of their central banks.

Differentiation: The need to allow for individual member states which may have national standards either above or below the EEC norm. To make provision for low standards is not too difficult, by giving the country a specific delay before the policy must be implemented. To allow countries with high standards to exclude products conforming to (lower) EEC regulations would blow a big hole in the concept of a single Common Market, especially when that country is West Germany.

Political co-operation: Getting together on foreign policy, in addition to the commercial co-ordination provided for by the present Treaty. The plan is to have a permanent small secretariat in Brussels, but no great bureaucracy to enforce closer co-operation. Member states shall "inform and consult" each other, and "endeavour to avoid any action . . . which impairs their effectiveness as a cohesive force in international relations."

European Union: A term which means all things to all people. Supposedly the ultimate aim of the exercise, there is no concensus on whether it really means an ultimate federal state of Europe, or little more than the present status quo. France wants a new preamble to the Treaty spelling out the general aim, and even creating another bit of bureaucracy — a secretary-general et al — to pull it together. No one else is very keen.



Mrs Thatcher and Mr Kohl: doubts about monetary policy

Norway and Community agree fishing quota pact

By Fay Gjester in Oslo

NORWAY and the EEC agreed a deal at the weekend on 1986 fishing quotas in their waters.

The pact allows both sides to boost their catches of a number of important varieties. Norway's fishermen's union has welcomed it because it will permit its members, hit by the recent decline in Barents Sea capelin stocks, to increase landings of mackerel and blue whiting.

Only two rounds of talks were needed to secure an agreement. The first, held in Oslo at the end of October, set provisional overall quotas, but failed to produce agreement on Norway's share of the herring and western mackerel catches, or the amount of cod that EEC fishermen could take in Norway's zone.

When the two delegations met again, in Brussels, Norway was granted 35 per cent 200,000 tonnes—of a total North Sea herring quota fixed at 570,000 tonnes. Initially, the EEC had offered only 20 per cent—160,000 tonnes—of a 500,000-tonne quota.

Spain detains former head of Rumasa after extradition

BY DAVID WHITE IN MADRID

THE former head of the Rumasa business empire, Mr Jose Maria Ruiz-Mateos, was remanded in custody at a high security prison outside Madrid yesterday after being extraited on Saturday by West Germany.

The 54-year-old financier, whose interests were seized by the Spanish Government in 1983 and have since been sold off piece by piece, faces trial on two charges of accounting fraud.

Mr Ruiz-Mateos appeared briefly before the examining magistrate before being taken to the prison.

Under the terms of Spain's extradition treaty with West Germany, the former Rumasa chairman can be tried only on the two grounds which were cited by the Hessen state court which recommended extradition.

These involved the alleged invention of credits aimed at covering losses in the group's banks, and the alleged overvaluation of assets in Rumasa accounts.

However, Madrid has been trying to extend the scope of its treaty to include tax fraud. This is among the other charges made in Spain against Mr Ruiz-Mateos which also included social security fraud and currency evasion.

The trial will enable Mr Ruiz-Mateos to air charges that there was a plot against him.

Several hundred people gathered outside the High Court in Madrid on Saturday night to express their support for Mr Ruiz-Mateos, who in barely 20 years built up some of Spain's largest private holdings including 20 banks, department stores, hotels, wine, insurance, shipping and construction companies.

He was flown from Frankfurt on an official Spanish aircraft in a carefully staged operation, aimed at avoiding a full-scale Press reception. Reporters and others, including defence lawyers, had been led to believe he would arrive on a scheduled commercial flight.

Mr Ruiz-Mateos fled Spain shortly after the seizure of his group in 1983, going first to the UK whic hat that time did not have extradition arrangements with Spain. He was arrested in April 1984 at Frankfurt airport on an international warrant, and released on bail after spending three months in custody. The bail of DM 10m (£2.7m) was said to be a record in Europe.

Voest-Alpine losses rock Austria

By Patrick Blum in Vienna

THE DRAMATIC CRISIS at Voest-Alpine, Austria's largest industrial concern, has rocked the political establishment, and placed a questionmark over the country's system of political and social consensus.

The losses for the state-owned steel, engineering, electronics and trading group have been revised upwards three times in a week, and are now expeted to reach at least Sch 5.7bn (£218m). Some officials suggest that this figure may have to be revised again when final results come in at the end of theyear.

The immediate consequence was the removal of the group management board. A new chief executive has been appointed on a temporary basis until March. International candidates will be considered for the position after that.

There has been a public outcry over the losses of Voest-Alpine Intertrading (VAIT), Voest's trading subsidiary, which is expected to show a deficit of Sch 2.4bn as a result of speculation on the oil market.

Politicians of all parties have condemned VAIT's casino-style speculations. The crisis, however, has raised questions over the system of management over the whole of the nationalised industries.

Mr Ferdinand Lacina, Minister in Charge of the Nationalised Industries, was apparently left in the dark about the real situation at Voest.

The management of OIAG, the holding company for the crisis, although Mr Gernot also claimed that it did not know of the extent of the crisis,

The shifting of the blame is being met with growing scepticism in the press and by large numbers of people here. "The system of (running) state industries is sick," runs the headline of one newspaper.

An editorial in another daily talked of two classes of workers and enterprises: those in the state sector where jobs were kept with billions of schillings of subsidies, and those who have to face market conditions in the private sector.

The political row is unlikely to die down rapidly.

The People's Party has called for a special parliamentary debate on the nationalised industries for Friday.

Washington admits role in Malta hijack rescue

BY REGINALD DALE, US EDITOR IN WASHINGTON

THE US has admitted that it was more involved than previously thought in the storming of a hijacked Egyptian airliner by Egyptian commandos in Malta last Sunday. The attack on the Egyptair Boeing 737 left at least 57 people dead and 30 wounded.

Pentagon officials yesterday confirmed press reports that three US officers had accompanied the Egyptian commandos who flew to Malta on an Egyptian C-130 transport aircraft to conduct the assault. The officials insisted however that the Americans had played no part in the rescue, but were there only to give advice and assistance if needed.

The arrival of the US officers, in full battledress according to one account, triggered an angry dispute between US and Maltese officials at Valletta's Luga airport. The dispute may have contributed to Malta's refusal to allow another American military team to land in time to aid the Egyptians.

An American counter-terrorist team, probably composed of specially trained Delta Force commandos, was reportedly still heading for Malta when the Egyptians stormed the airliner. The Maltese initially refused a series of requests for the Americans to land in helicopters and only agreed that they could land in a private aircraft when it was too late for them to assist in the attack.

Other reports have recounted that a US aircraft carrier was deployed to provide air cover for the Egyptian commandos if needed, or to intercept the hijacked aircraft if it left Malta.

US technical personnel have also been provided to help the Maltese in the aftermath of the hijacking, including a team of investigators from the FBI and other US agencies.

OVERSEAS NEWS

David Gardner on the new owner of an international news agency

Mexican publisher takes on UPI

ON THE DAY of the first earthquake to hit Mexico City in September, the local bureau of United Press International (UPI), which like many foreign news organisations had its downtown offices here wrecked, moved into temporary accommodation in the headquarters of El Sol, a Mexican daily.

The move proved portentous, and in the corporate sense, permanent. Two months later, El Sol's publisher, Mr Mario Vazquez Raña, is now the enormously proud new owner of the financially crippled US news agency, clinching a deal which has perplexed analysts here and north of the border.

Mr Vazquez Raña paid $25m for 90 per cent of UPI, with a commitment to inject a further $15m-$30m over the next four years. A rival bidder, Mr Joe Russo, a Houston real estate developer, was brought into the new company, New UPI Incorporated, registered in Delaware, at the last minute, with the remaining 10 per cent.

UPI had applied for Chapter 11 earlier this year after swingeing staff and salary cuts and the sale of its pictures division to Reuter, the UK-based news and financial information agency, failed to make much impact on accumulated debts of $41m. As part of the deal, Mr Vazquez will, within 120 days, fully compensate UPI's smaller creditors and pay off individual claims of more than $3,000 at 40 cents in the dollar.

UPI's new owner, at 53 years, is an engaging self-made man, the son of immigrants to Mexico from Galicia in Spain. He is best known here as one of four brothers who built up the leading Hermanos Vazquez furniture and white goods retail chain.

Prior to the UPI deal, his fame dates from his surprise 1976 purchase of the El Sol newspaper chain. It has always been thought this was in consort with the political ambitions of Mr Luis Echeverria, his friend and patron who was outgoing president of Mexico at the time.

Mr Vazquez's own ambitions are harder to fathom. Those who know him believe his ultimate goal is to become president of the International Olympic Committee—he is already president of the Mexican Olympic Committee, of the International Association of Olympic Committees, and of the Organising Committee for the Panamerican Games. Quite how ownership of a failing international news agency will further this ambition is far from clear.

Mr Vazquez's own description of his past, his fortune, his drive, and his plans for UPI, is full of superlatives and full of holes. The UPI deal, he says, "was the cleanest and most open in business history," and he personally has "the cleanest record of anyone in Mexico." He describes himself as "the most international person in Mexico," and, in passing, claims his Guadalajara-based El Occidente daily is "the best paper in the country."

His larger-than-life self-embellishment is visually complemented by what must be one of the more luxurious publisher's offices in the world. His third-floor headquarters, broken up by interior gardens complete with fountains, contain not only a boardroom, computer room and cinema, but also a gymnasium, sauna, hairdresser, plus a bar and dining room which would do credit to a 5-star hotel. "I like to show this to my critics so that they feel envious," he remarks while conducting a brief tour of the premises.

There is almost no free wall-space. As well as a separate trophy room (Mr Vazquez is a first-class shot, competing for Mexico in the 1972 Olympics), the walls are plastered with insignia and photographs of himself with assorted heads of state, Mexican presidents and international sports people.

In his personal office for example, above scale models of his three executive jets, signed portraits of the Pope and Fidel Castro of Cuba hang side by side, "for balance," he says (President Castro has since fallen out with Mr Vazquez, publicly accusing him of giving the next Panamerican games to Indianapolis instead of Havana).

The two questions Mr Vazquez has had to answer most often in the past month concern "balance" — whether or not UPI will be given free rein to report as its editors and journalists see fit, particularly on Mexico—and what his plans for the news agency really are.

No newspaper publisher in Mexico is immune from Government pressure since the state controls the newsprint monopoly, Pipsa, and can make or break many publications through the volume of advertising it places.

Mr Vazquez acknowledges that his purchase of the El Sol chain, which he has built from a 34- to 62-paper group with a claimed circulation of more than 2m and unequalled provincial coverage, was facilitated by his friendship with President Echeverria. He says he paid $12.8m for 75 per cent of the group, then in state receivership, and then spent $7/2m cleaning up its debts. Until 1977, the former President's principal aide, Mr Fausto Zapata, was a prominent associate, but then Mr Vazquez claims to have bought out all his partners and restored the group's independence. "If you can find more than 10 mentions of Echeverria after that I'll give you 5m pesos for each one," he exclaims with characteristic flourish.

However, under Echeverria's successor, President Jose Lopez Portillo, Mr Vazquez bought Mexico Radio SA (known locally as ABC Internacional) and promptly axed a current affairs programme critical of the government. Despite this he claims not to alter a line in his

Mr Mario Vazquez Raña: ambitions hard to fathom

papers, though he shows visitors a little study where "I like to write two editorials a day when I'm here."

The UPI operation will be "crystaline" he says, and scoffs at suggestions that the purchase is in any sense connected to long-standing third world efforts to challenge the dominance of the major western news agencies and create "a new information order." He plans to create a board of up to 20 US media notables to scrutinise UPI's operations, but is extremely vague on how he plans to relaunch the agency.

He says he has made an exhaustive study of the market, although it was put to him that the 78-year-old UPI lost its battle with Associated Press, the US's main international news agency, largely because of the growing specialisation implied by AP's association with the Dow Jones Company to provide an economic service. Reuter's lucrative switch towards providing economic data was another factor, as was the syndication service provided by the major US papers which has sharply reduced the space for a general news agency.

Mr Vazquez talks generally about the need to "improve oneself," about new technology, and when pressed to be specific, about boosting economic and sports coverage and a news agency equivalent of the social pages prominent in most newspapers in this region.

Like most Mexican businessmen, Mr Vazquez is cautious about the size and source of his wealth. From loading refrigerators into lorries aged 15 he says he sold his quarter share in Hermanos Vazquez to his brothers for $25m in 1981 which is plausible at that year's rate of exchange of 22 pesos to the dollar (he simultaneously sold real estate holdings worth 700m pesos, he says, for a further $32m).

Less plausible are his claims that he bought the dollars to buy UPI from the Bank of Mexico (at rates of up to 500 pesos to the dollar), and that unlike most of a business class which holds up to $30bn in foreign bank accounts, he has no dollars abroad.

What is the El Sol group worth? "I wouldn't take $400m for it," he says, confirming that this is the value he puts on the chain, it is a price which most analysts find outlandish, even though the chain includes Mexico's main sports daily, Esto, and the group's costs have been sharply reduced by the introduction of up-to-date technology and editionalising.

Mr Vazquez is known to have made money from government contracts. In the early 70s for example, he was granted the country's sole firearms concession when restrictions on arms sales to the public were introduced after guerrilla violence began in the south.

The unanswered, 64,000 peso or dollar question, nonetheless, is why he should so passionately wish to own UPI, which he says he first sought when the Scripps - Howard newspaper chain sold it three years ago. A variety of critics say Mr Vazquez has an outsize ego and craving for respectability. He himself gives the impression this is a sporting opportunity, and with characteristic hyperbole, says "I have never failed in any challenge."

William Dullforce on problems facing the preparatory committee for trade talks

Gatt seeks a way through the landmines

PREPARATIONS for the new round of global trade negotiations can move closer to the heart of the matter following last week's decision by the members of the General Agreement on Tariffs and Trade (Gatt) to establish a preparatory committee.

The band of ambassadors and other officials who, under one umbrella or another, regularly meet in Gatt's Geneva headquarters, will now turn themselves into the preparatory committee. Under that umbrella they should concentrate on the real problems threatening to bring about the collapse of the world trading system rather than on procedural issues.

Governments and trade departments back home will be under greater pressure to formulate their interests and to frame negotiating positions on a wide range of topics.

The common front more or less maintained over the past few months by the three large trading blocs — the US, the European Community and Japan — as they worked to break the resistance of developing countries to new trade talks will dissolve.

The European Economic Community has welcomed the decision by the 90-nation General Agreement on Tariffs and Trade to press ahead with moves to hold major global trade talks late next year, Reuter reports from Brussels. Mr Willy De Clercq, External Relations and Trade Commissioner, said he was extremely pleased with the decision of the General Agreement on Tariffs and Trade (Gatt) to set up a committee to determine objectives, procedures and subjects for the talks. The unanimous decision meant confrontation was avoided, he said. It had removed the threat of a fatal blow that would have harmed all those who supported the multilateral trading system. "We are now engaged irreversibly in the formal preparation of a new round, but all options are still open as far as substance is concerned," he said.

France's reluctance last week to accept the timetable agreed by the other Gatt countries was an early signal. It was attributed to the French Government's wish to postpone for electoral reasons the formulation by the European Community of a position on trade in agricultural products.

Mr Mike Smith, the deputy US trade representatives, denied that the US was giving priority to an assault on Community subsidies on wheat and other sales, but a confrontation between the US and the EEC over agricultural exports is likely to be a highlight of the coming negotiations and might well surface in the preparatory committee.

Mr Arthur Dunkel, the Gatt director-general is expected to convene the committee in the third week of January. That will leave it with somewhat less than six months to meet the mid-July deadline for agreeing recommendations that would allow trade ministers formally to launch the round in September.

The issues to be tackled fall into three areas. First, there is the unfinished business from previous trade negotiating rounds. In addition to tightening rules for export subsidies Gatt, it is agreed, needs to revamp the "safeguards" which allow for emergency protection against imports and to work out sustainable codes for non-tariff barriers such as quantitative restrictions on imports.

Secondly, trade in agriculture, textiles and steel has to be brought within the scope of Gatt. This has in principle been accepted by the majority of Gatt's 90 members but action has been thwarted by diverging national interests.

Lastly there are the "new" issues promoted mainly by the US with the backing of other industrial nations. Their aim is to have some form of Gatt discipline applied to trade in services, high technology products, investment and counterfeit goods.

Each area contains landmines around which the preparatory committee will have to pick its way. The committee's job is not to negotiate the issues but it should agree on approaches and indicate the direction negotiations must take to reach results.

The Gatt agricultural committee, for instance, has done a considerable amount of work in analysing problems but has been marking time in face of the various procedural options proposed by its members. Ideally, the preparatory committee should refine the options into an agreed method for negotiating the agricultural issue.

One of the most important functions of the preparatory committee will be to reconcile the developing countries, which make up the majority within Gatt, to the new round.

The US has prodded and shoved Gatt into preparing the round with assurances that it will serve the interests of the developing countries. Many developing countries are not yet convinced.

The declaration of a "standstill," a commitment by all Gatt members not to introduce further protective measures, is regarded as an essential preliminary step to negotiations.

On other matters—including preferential treatment for least developed countries, and the phasing out of the Multi-Fibre Arrangement governing trade in textiles—the developing countries are looking for clear signals from the industrial nations in the preparatory committee.

Palermo to become hub for optical fibre system

By James Buxton in Rome

PALERMO, the capital of Sicily, is to become the hub of a network of optical fibre telecommunication cables connecting countries around the Mediterranean. The network could later be connected to the trans-Atlantic optical fibre cable system.

Developments in the Mediterranean are part of the process by which international telecommunications links are being sharply upgraded, following the introduction of optical fibre technology, which gives cables many times the carrying capacity of traditional coaxial cables. This technological jump will make it far easier to introduce data transmission services on an intercontinental basis.

Next week representatives of the telecommunications authorities of seven countries will meet in Palermo to ratify an agreement to construct a Mediterranean underwater optical fibre cable network. An initial understanding on this was reached in July.

The countries involved—Italy, France, Britain, the US, Spain, Israel and Turkey—are to create an integrated network based initially on two point-to-point links. One is between Palermo and Tel Aviv; the other is between Palermo and Marmaris, in Turkey.

A third point-to-point link, between Palermo and Lechaina, in Greece, could be agreed at the same time, if Greece joins the group of countries.

These links for the Eastern Mediterranean are expected to be in service by 1990.

Studies are also going ahead for optical fibre cable links in the Western Mediterranean, connecting Italy with France and Spain. Agreements for a first link between Palermo and France are nearly complete, and studies are under way for a second link between Palermo and Spain.

Italcable, the Italian state-controlled intercontinental telecommunications company, which is the Italian utility involved in the discussions, is trying to persuade the Western Mediterranean authorities to connect it with optical fibre cable networks being planned to run near the eastern shores of the Atlantic, linking Britain and France with Spain and Portugal.

South Korean and Japanese shipyards suffer fall in orders

BY ANDREW FISHER, SHIPPING CORRESPONDENT

SHIPYARDS in Japan, and South Korea suffered a sharp drop in business in the third quarter of this year with the world order backlog down to its lowest for more than two years.

The world order book stood at 27.5m gross tons at the end of September against 28.1m at the end of June and 31.4m at the end of September 1984, according to Lloyd's Register of Shipping.

Both Japan and South Korea say demand will continue falling and the Japanese industry plans major cuts in capacity and jobs.

Most shipping sectors suffer from low freight rates as a result of surplus capacity, and a number of shipowners are no longer able to pay for ships being built.

Japan's order backlog fell by 245,000 tons to 10.5m tons, while South Korea, number two in world shipbuilding, showed a decline of 554,000 tons to just under 5m tons.

The shipbuilding industry associations of Japan and South Korea said after meeting in Tokyo last week that no recovery was likely before 1988 at the earliest.

World shipbuilders should cooperate among themselves and with shipping companies to speed up scrapping and slow down ship construction, they said.

The Lloyd's figures showed that of leading shipbuilding countries, only Taiwan, Brazil, West Germany, Romania, France and Italy showed increases in their order backlog during the period.

Lloyd's said that new orders of 3.1m tons placed in the third quarter were 0.7m tons less than output.

More than 80 per cent of the world order book is scheduled for delivery before 1987.

SHIPPING REPORT

Dry cargo ship owners miss out on rates rise

BY ANDREW FISHER, SHIPPING CORRESPONDENT

THE RISE in tanker rates continued last week with activity concentrated mostly in the first three days before the US Thanksgiving holiday.

But the improved rates had little spillover effect on the dry cargo market, even though some oil/bulk/ore carriers (OBOs) have been switched by their owners from dry cargos to oil as the tanker market has risen.

Demand for tankers from the Gulf remained strong, with a Taiwanese charterer who fixed tonnage two weeks ago at Worldscale 49 having to concede Worldscale 52.5 for another 225,000 ton cargo.

Later in the week, said E. A. Gibson Shipbrokers, Japanese charterers paid Worldscale 49 for a 250,000 tonner. This compares with levels of just above Worldscale 20 at the start of the year and more than Worldscale 30 last month.

Dry cargo ship owners have been gazing wistfully at the move in tanker rates. The rate for grain from the US Gulf to Europe rose slightly to $8.50 (£6.10) a ton, with $9 expected soon. But the US Gulf-Japan rate stuck at $12.50-$12.75, though $13 is thought possible this week.

Samsung plans French sales

SAMSUNG, South Korea's biggest industrial group, will start selling its video cassette recorders in France next year, according to its French importer, AP-DJ reports from Paris.

Mr Christian Paillot said he hoped to sell between 20,000 to 40,000 VCRs in France annually or between 2 to 4 per cent of the country's market.

Samsung decision to market its products in a European market under its own brand name marks a turning point for South Korean manufacturers, he said. Up to now they have preferred to market their products under other trade marks or to act as sub-contractors to European companies.

The French VCR market will expand by about 10 per cent this year to 550,000 units, Mr Paillot said.

Swissair may start regular Albanian flights

By John Wicks in Zurich

SWISSAIR may become the only western airline other than Olympic Airways to offer scheduled services to and from Tirana, Albania.

Following approaches made by Albania last year, negotiations are being held between the Swiss and Albanian governments on the possibility of regular flights and a civil aviation agreement between the two countries.

The airline said yesterday that no decision was likely in the near future but it is understood that talks could result in services starting next year.

● Cathay Pacific Airways has withdrawn its applications to serve Fuzhou and Xiamen, two destinations in China it had applied for only two months ago, AP-DJ reports from Hong Kong. The company said: "We don't know if and when something will be available there."

UK group wins Bulgarian enzymes plant contract

BY CHRISTIAN TYLER, TRADE EDITOR

BULGARIA HAS taken another step in its ambitious programme to become the leading exploiter of biotechnology in the Eastern bloc.

Negotiations with a British chemical engineering contractor, John Brown Engineers and Constructors, have resulted in a contract for the "preliminary engineering" of a factory to produce enzymes for food processing and medical purposes.

The plant, to be built at Katuniza, near Plovdiv, could cost between £20m and £50m. The true cost will not be known until the second stage of the contract is reached, the company said yesterday.

John Brown appears close to securing a number of biotechnology licences, British and perhaps American, that would enable the Bulgarians to mass-produce enzymes.

Some Bulgarian biotechnology will also be used, said Mr Malcolm Stewart, associate director for biotechnology at the company.

He did not disclose which western companies might be selling licences for the Bulgarian venture.

The Bulgarians are known to have been in negotiations with Celltech, a British bio-technology company partly owned by the UK Government. Celltech was reported to have been asking around £1m for its technology.

Another UK process plant contractor, APV International, has set up a joint venture company in Sofia with Bio-invest, the state organisation. It hopes to become involved in the supply of specialist equipment for the programme. John Brown is already a customer of APV.

Enzymes are a kind of bio-chemical catalyst. They occur naturally in living cells and have been artificially harnessed for the production of organic matter.

Japan moves on wine tariff

Japan will cut its tariff on imported wine next April, one year earlier than planned, to help to ease friction with its trade partners, especially the US and the EEC, Reuter reports from Tokyo.

The Government said in July the tariff would be cut from 38 to 30.4 per cent as part of measures aimed at boosting imports and cutting Japan's trade surplus. Wine imports rose from 34.47m litres in 1983 to 46.2m last year.

World Economic Indicators

TRADE STATISTICS

		Oct 85	Sept 85	Aug 85	Oct 84
UK (£bn)	exports	6.317	6.107	6.044	6.270
	imports	6.317	6.337	6.238	7.060
	balance	0	−0.230	−0.195	−0.790
France (FFrbn)	exports	78.18	76.72	74.90	73.80
	imports	77.20	79.33	74.90	77.19
	balance	+0.98	−2.61	+0.04	−3.39
		Sept 85	Aug 85	July 85	Sept 84
Japan ($bn)	exports	14.752	13.874	15.298	14.639
	imports	10.205	10.362	10.694	10.150
	balance	+4.547	+3.512	+4.604	+4.489
W. Germany (DMbn)	exports	44.35	44.73	47.58	42.00
	imports	37.48	39.60	39.89	36.80
	balance	+6.87	+5.13	+7.69	+5.20
US ($bn)	exports	17.732	17.423	17.412	18.210
	imports	31.764	26.083	26.630	28.409
	balance	−14.032	−8.660	−9.218	−10.199

Effects of London crisis spread to other metals

World tin market holds its breath

BY ANDREW GOWERS AND OUR FOREIGN STAFF

AS THE international tin crisis staggers into its sixth week, the world market waits nervously for an eventual resumption of tin trading on the London Metal Exchange (LME).

Metal dealers in Britain, Japan, West Germany and the US report that trading has shrunk to a bare minimum in the absence of a forum that used to set benchmark prices for the world market. Tin consumers are living from hand to mouth, with inventories trimmed to the bone, in the expectation that when the LME market does reopen they will benefit from a sharp drop in prices.

Deals that are being struck are largely based on provisional prices which are subject to adjustment when LME trading resumes. They do contain an omen for the future; those provisional prices are well below the level of £8,140 a tonne at which tin last traded in London. "Basically, the business has gummed up. It's still stuck," said one senior, and very worried, metal trader in London.

Trading in tin in London and Kuala Lumpur was suspended on October 24, when the International Tin Council's (ITC) buffer stock manager ran out of funds with which to support the market.

The crisis has also had serious effects on trading in other metals, such as copper and aluminium, largely because of doubts over the solvency of some traders heavily exposed to contracts with the ITC. The LME – the world's leading metals market – reported two weeks ago that its turnover had fallen by about 50 per cent. New business – as opposed to liquidation or "carrying" deals – has dropped to a trickle.

Fears have been expressed that the lengthy suspension of tin trading could lead to the growth of a secondary, or "grey" market outside the LME. But so far, this has apparently been slow to materialise.

In Britain, the bigger consumers, such as the British Steel Corporation, are trying to rely on their stocks where possible. In many cases, however, inventories have been heavily run down, which means that the European smelters – such as Rio Tinto-Zinc's Capper Pass factory on Humberside and Billiton's plant at Arnhem in the Netherlands – are said to be able to drive hard bargains on prices to end users.

In addition, there is an embryonic spot market in which dealers say tin is changing hands in small lots at prices of between £6,800 and £7,100 a tonne. The buyers in these deals tend to be merchants who normally trade in small quantities and do not have connections with a tin smelter.

The smelters are still buying tin concentrates, for example, from the Cornish tin mines, the only such operations in Europe. But as they have been deprived of their principal pricing mechanism – the London Metal Exchange – they are having to pay provisional prices that will be adjusted when the London market reopens.

A typical price being paid at present by one smelter is about £5,500 a tonne, which is believed to be causing acute difficulties for some of the suppliers. The Cornish mines, for example, have production costs ranging upwards from about £7,500 a tonne, and are regarded as highly vulnerable to a sharp and sustained drop in tin prices.

"They're aiming to give me some cash flow, but are building in a discount from what they think the price really is," said one mining company representative.

In West Germany, the biggest tin-consuming country in Western Europe, the picture is similar. Since LME trading was suspended the uncertainty has caused a marked falling-off in the volume of tin dealings.

"The market is very restrained," said an official of the West German Metal Dealers' Association in Bonn. One trader estimated that perhaps half of the remaining tin business was now being done at fixed prices, with the price currently around £6,500 a tonne. The other half was being conducted with an eye to the reopening of LME trading.

If the market did not reopen, prices would be negotiated by the parties to the deal, with the proviso that the customer could return the tin if they could not agree on a price.

In Japan, buyers are being similarly cautious, negotiating prices directly with suppliers. Tin is said to be fetching about $9,300 a tonne. Tin imports have fallen off dramatically – from a monthly rate of about 2,300 tonnes in normal times to between 300 and 400 tonnes.

A trader said that stocks were adequate at present both for tin users and traders, but after mid-December, he said, the situation could get "pretty tight."

In Malaysia, the world's largest tin producer, the government-backed secondary market based in Penang does not appear to have taken off in a big way. The two smelters there have been supplying metal to their clients at prices of around 23,000 ringgits a tonne (about £6,500), about 20 per cent lower than before the crisis began. Buyers are just purchasing enough for their immediate needs, however, and the prices at present being quoted are not regarded as representative of the likely level once the terminal markets reopen.

In the US, meanwhile, the big tin users report little embarrassment yet from the London debacle, although they appear to have changed their buying patterns from large consignments to small batch deals.

According to metal traders in New York, tin is changing hands at between $4.50 and $4.60 a pound. Customers are unwilling to buy large amounts, they say, because they are afraid of being caught with large stocks if the price suddenly collapses.

Weirton Steel, for example, one of the country's main tinplate manufacturers – it operates under the slogan "Weirton – home of the tin can" – said that it was securing metal "in the normal way through traders", while US Steel, the market leader, said that it was "surviving quite nicely".

Back in London, however, all eyes are fixed both on the LME and the ITC. Although many people are resigned to a price crash in the event that the tin council cannot agree on a solution, the metal exchange is likely to keep its tin market closed for as long as there is even the faintest chance that one is pieced together.

That could yet invite the growth of a bigger secondary market. After all, those provisional deals are going to have to be priced sooner or later.

Additional research by: John Davies in Frankfurt, Terry Dodsworth in New York, Wong Sulong in Kuala Lumpur and Our Tokyo Staff.

BBC wins three-year funding

By Jason Crisp

THE ANNUAL BATTLE over the financing of the BBC External Services has been ended with a three-year agreement.

The financing of the External Services, which includes the World Service Foreign Language Broadcasts and monitoring services, has been the subject of annual political rows as successive governments have tried to cut its budget to reduce public expenditure.

Following an inquiry last February, the Government has granted, for the first time, a three-year budget to the BBC External Services. This will rise from £92m this year to £100m in 1987–88. A further £15m is included, as from next year, when the BBC takes over responsibility for certain relay stations from the Foreign Office.

Welcoming the decision, Mr Austen Kark, managing director External Broadcasting, said: "While it will allow us to plan sensibly, it does not provide any fresh money for expansion of output. If we want to boost programmes to one part of the world, then we still have to draw in our antennae somewhere else."

Mr Stuart Young, chairman of the BBC, said: "For years now, successive BBC External Services managements have been forced to plan and operate within the constraints of a one-year financial straitjacket. It has been an unenviably difficult way of organising broadcasting to more than 120m listeners in 37 different languages."

Labour pledge on Liverpool investigation

Financial Times Reporter

THE Labour Party yesterday pledged that the forthcoming inquiry into Liverpool's district party, which is dominated by the far-left Militant group, would be "scrupulously fair." Last week the Labour Party suspended the local Liverpool party pending the inquiry.

The inquiry into Militant's activities in the Liverpool area is due to begin next Sunday. The results, with any recommendations on disciplinary action, are expected to be prepared in time to go before the Labour Party's national executive early in the new year.

A Labour spokesman stressed that, although the party wanted the matter resolved quickly, the inquiry would carry on "as long as it is necessary to ensure that natural justice prevails."

"The inquiry's findings will go before the national executive in January at the earliest. It will be a full and fair hearing. We believe it is vital that there is nothing superficial in the proceedings."

The eight-strong inquiry team, all drawn from the national executive, includes Mr Larry Whitty, the party's general secretary.

The hearings will be in private, and witnesses are being granted anonymity if they prefer it.

Minister faces charge of sugar quota U-turn

BY ANDREW GOWERS

A BITTER dispute involving the Government and Britain's two leading sugar companies, British Sugar and Tate & Lyle, is set to surface in the House of Commons today, when MP's debate proposed changes in EEC support arrangements for sugar and starch.

The row concerns British Sugar's campaign to be given a larger beet production quota under the EEC's next five-year sugar regime, which is due to start in August.

Tate & Lyle fears that this could eventually pose a threat to the smaller of its two British sugar refineries at Greenock in Scotland, which employs about 400 people.

The two companies have been in disagreement for some time, but their quarrel was given new heat last week by signs of support for British Sugar, a subsidiary of commodity trading group S. & W. Berisford, from Mr Michael Jopling, the Agriculture Minister.

In a letter to Tate & Lyle's outgoing chairman, Sir Robert Haslam, Mr Jopling is understood to have hinted that he would consider pressing for a larger beet quota to cater for some of the additional demand for sugar expected to be created in Britain's chemical and food industries over the next few years.

Tate & Lyle, which relies for its UK refining operations on cane sugar imported under EEC's Lome Convention largely from the Caribbean, regards this as a U-turn by the Government and a significant lobbying victory by British Sugar.

"He's certainly indicated that he's going to try and get an increase in the beet quota. Previously we didn't think he was going to do that," said a Tate director at the weekend. "It would depend on the size, but any increase is going to put some strain on our Scottish operation."

Ministry of Agriculture officials acknowledge that Mr Jopling has lately been prepared to entertain the idea of a modest increase in the beet quota. They dismiss suggestions that this would pose a threat to Tate's Greenock refinery, and deny that it would upset the precarious political balance between cane and beet sugar in Britain.

British Sugar argues that a 30 per cent rise in its total production quota – currently pegged at 1.14m tonnes a year – is needed to cater for rising industrial demand. It estimates that this could raise UK sugar consumption – at present about 2.3m tonnes a year – by 350,000 tonnes over the next few years.

Mr Gordon Percival, the company's managing director, told the press in early October that unless Britain were allowed to produce more sugar, thousands of new jobs in biotechnology industries could be lost to the European continent.

Tate & Lyle – while agreeing that some additional industrial demand could be created – believes this will only amount to about 150,000 tonnes, and argues that this should be met by diverting surplus sugar, which is at present exported, into the UK market. It has been lobbying MPs – particularly those from Scotland – heavily ahead of today's Commons debate.

Ministry officials say Mr Jopling tends to side with Tate's figures, and agrees that much of the additional demand could be met by diverting exports. He is said to be concerned that UK sugar supplies might become tight by the late 1980s, which would lead to increasing higher-priced imports from the continental Europe and discourage chemical companies from investing in sugar-processing capacity in Britain.

Tate's underlying worry is that if new industrial demand does not grow at the anticipated rate, its UK operations will be hit by a glut of sugar being sold in the domestic market at cut prices from 1987 onwards. It has suffered from a price war with British Sugar on a number of occasions in the recent past.

The Greenock refinery is seen as more vulnerable to such events than Tate's other UK refinery, on the Thames in East London.

DOUBTS ON BOARD'S ABILITY TO HALT DECLINE

Privatised coal industry best hope for future, says report

BY MAURICE SAMUELSON

FUTURE PROSPERITY of the British coal industry depends on it being broken up into competing private units some of which should be sold off in "packages" including coal-fired power stations, according to a report out today by the Institute of Economic Affairs (IEA).

It is the weightiest of a spate of reports by academic economists which chart the routes which a future Conservative Government might follow in privatising the coal industry. As far as the present Government is concerned, coal officially remains well down the list of assets which it wants to remove from the state sector.

The authors of the IEA report, Professor Colin Robinson of Sussex University and Ms Eileen Marshall of Birmingham University, argue in favour of a liberalised market for coal rather than simply a privately owned UK coal industry. Liberalisation, they say, "offers the only reasonable prospect of revitalising the industry and reversing its long-term decline."

Expressing disbelief in the state-owned coal industry's ability to reform itself from within, in line with the Government's present objectives, they describe the continuation of the present monopoly in British coal supply as "a recipe for continuing decline," and recommend its radical restructuring as in the long-term interests of the miners.

Even if power stations were not involved in the sale, the report recommends introduction of private capital into the large new Selby coalfield in Yorkshire, lifting the curbs on imported coal, and taking the licensing of open-cast production out of the hands of the National Coal Board (NCB).

But they see selling pits jointly with power stations as the most far reaching and probably most desirable step because of the close relationship between the coal and electricity supply industries. The disadvantage of splitting the NCB into separate competing coal companies without also breaking up the Central Electricity Generating Board (CEGB) is that this would leave the CEGB in an unhealthy position as the dominant purchaser of the nation's coal.

Claiming that they do not regard privatisation of coal as an end in itself, the authors note that a degree of liberalisation can also be achieved by less radical steps, such as removing curbs on imported coal. They even oppose privatising the coal industry if it were sold off as an integrated industry, as is proposed for the British Gas Corporation, because unlike gas, they say coal is a very unnatural monopoly.

The authors also recommend wholesale privatisation of the open-cast coal sector, which at present produces some 15m tonnes of coal a year, compared with nearly 100m tonnes of deep-mined. Their main priority, however, is removal of coal import controls.

Pouring cold water on the NCB's attempts to reform itself from within, on which current Government policy towards the coal industry is based, they recall that "Government injunctions to break even at some time in the future have been given to the NCB on so many occasions in the post-war period… that one can only be sceptical about the worth of such political pronouncements.

"Even as the Government is now saying it wants break-even to be achieved by 1987–88, it is planning to give the NCB about £2.65bn of taxpayers' money in the next two financial years. Although the NCB's financial position may well appear to improve considerably in the next two years, that will be largely a consequence of temporary additional demand from the CEGB."

Can Coal be Saved, A Radical Proposal to Reverse the Decline of a Major Industry; (Institute of Economic Affairs, 2, Lord North Street, Westminster, SW1P, 3LB), £2.50.

Church report on inner cities urges public spending rise

FINANCIAL TIMES REPORTER

THE RESULTS of a two-year inquiry by the Church of England into the crisis in Britain's inner cities are to be published tomorrow in a report that is deeply critical of both government and church.

The Archbishop of Canterbury, Dr Robert Runcie, set up the commission of inquiry in 1983 and appointed as chairman Sir Richard O'Brien, former chairman of the Manpower Services Commission, which administers the state employment and training programme.

Mrs Margaret Thatcher

The 400-page report, Faith in the City, is unlikely to be warmly welcomed by Mrs Margaret Thatcher, the Prime Minister. Although she has urged closer regard to Christian principles, the report is critical of many of the government policies she regards as fundamental, particularly on public sector housing.

The Commission joins Mr Nigel Lawson, the Chancellor of the Exchequer, and the recent Duke of Edinburgh's Housing Inquiry, in maintaining that mortgage interest relief, which costs the Exchequer £4.5bn a year, should be abolished.

The report says it is inequitable to give help to those who need it least through mortgage interest relief while cutting housing benefit to those on the lowest incomes.

The Government will be especially alarmed at the extent to which the report urges more public spending by raising financial support for inner-city councils, increasing resources for the urban programme, putting more cash into the community programme and raising child and unemployment benefits.

The Prime Minister's office said yesterday that the Government was already fully aware of the problems in inner cities and had given them increasingly higher priority.

While urging that the Government and nation must do much more, the Archbishop's report is also understood to take a very critical view of the failures of the Church in the inner cities and to draw attention to the missed opportunities both at community and corporate investment level.

Irish-Ulster police to meet on security

BY HUGH CARNEGY IN DUBLIN

MR LAWRENCE WREN, Commissioner of the Irish police, and Sir John Hermon, Chief Constable of the Royal Ulster Constabulary (RUC), are due to meet this week for the first time in more than two years, Mr Peter Barry, the Irish Foreign Minister, said yesterday.

The meeting will be the first major step forward on cross-border security matters since the Anglo-Irish agreement came into force last week. It is part of preparations for the first meeting of the inter-governmental conference set up under the accord which is to convene in Belfast within the next two weeks.

Mr Barry, leader of the Irish delegation to the conference, told a radio interviewer he understood Mr Wren had invited Sir John to Dublin, and the invitation had been accepted.

Copyright policy review

BY PETER RIDDELL, POLITICAL EDITOR

THE GOVERNMENT is reconsidering proposals to reform copyright law, particularly whether a levy on blank video and audio tapes should be introduced.

A White Paper (policy document) was drafted for publication in October but the position is being discussed again by ministers.

The hope in Whitehall is that the decisions will be reached by Christmas in time for the revised White Paper to be published in the new year ahead of legislation in the 1986-87 parliamentary session.

The review covers intellectual property rights, updating copyright law to take account recent trends in the video and audio sectors.

The most contentious item is the proposed levy on blank tapes, which the Government rejected in 1981 but provisionally accepted this year.

BASE LENDING RATES

Bank	Rate
ABN Bank	11½%
Allied Dunbar & Co.	11½%
Allied Irish Bank	11½%
American Express Bk.	11½%
Henry Ansbacher	11½%
Amro Bank	11½%
Associates Cap. Corp.	12 %
Banco de Bilbao	11½%
Bank Hapoalim	11½%
Bank Leumi (UK)	11½%
BCCI	11½%
Bank of Ireland	11½%
Bank of Cyprus	11½%
Bank of India	11½%
Bank of Scotland	11½%
Banque Belge Ltd.	11½%
Barclays Bank	11½%
Beneficial Trust Ltd.	12½%
Brit. Bank of Mid East	11½%
■ Brown Shipley	11½%
CL Bank Nederland	11½%
Canada Permanent	11½%
Cayzer Ltd.	11½%
Cedar Holdings	12 %
■ Charterhouse Japhet	11½%
Choulartons**	
Citibank NA	11½%
Citibank Savings	¶12½%
City Merchants Bank	11½%
Clydesdale Bank	11½%
C. E. Coates & Co. Ltd.	12 %
Comm. Bk. N. East	11½%
Consolidated Credits	11½%
Continental Trust Ltd.	11½%
Co-operative Bank	*11½%
The Cyprus Popular Bk.	11½%
Duncan Lawrie	11½%
E. T. Trust	12 %
Exeter Trust Ltd.	12 %
Financial & Gen. Sec.	11½%
First Nat. Fin. Corp.	12½%
First Nat. Sec. Ltd.	12½%
■ Robert Fleming & Co.	11½%
Robert Fraser & Ptrs.	12½%
Grindlays Bank	‡11½%
■ Guinness Mahon	11½%
■ Hambros Bank	11½%
Heritable & Gen. Trust	11½%
■ Hill Samuel	§11½%
C. Hoare & Co.	11½%
Hongkong & Shanghai	11½%
Johnson Matthey Bkrs.	11½%
Knowsley & Co. Ltd.	12 %
Lloyds Bank	11½%
Edward Manson & Co.	12½%
Meghraj & Sons Ltd.	11½%
Midland Bank	11½%
■ Morgan Grenfell	11½%
Mount Credit Corp. Ltd.	11½%
National Bk. of Kuwait	11½%
National Giro Bank	11½%
National Westminster	11½%
Northern Bank Ltd.	11½%
Norwich Gen. Trust	11½%
People's Trust	12½%
PK Finans. Intl. (UK)	12 %
Provincial Trust Ltd.	12½%
R. Raphael & Sons	11½%
Roxburghe Guarantee	12 %
Royal Bank of Scotland	11½%
Royal Trust Co. Canada	11½%
Standard Chartered	‖11½%
TCB	11½%
Trustee Savings Bank	11½%
United Bank of Kuwait	11½%
United Mizrahi Bank	11½%
Westpac Banking Corp.	11½%
Whiteaway Laidlaw	12 %
Yorkshire Bank	11½%

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.00%. 1-month 8.50%. Top Tier—£2,500+ at 3 months notice 11.25%. At call when £10,000+ remains deposited.
† Call deposits £1,000 and over 8.00% gross.
‖ 21-day deposits over £1,000 9.25%.
§ [illegible] base rate.
** See Provincial Trust Ltd.
¶ Demand dep. 8%. Mortgage 13%.

UK NEWS

Sealink sees £8m return to profit

By Andrew Fisher, Shipping Correspondent

SEALINK, the UK ferry company owned by Sea Containers, is likely to make profits of about £8m this year, compared with a £10m loss in 1984, according to Mr James Sherwood, Sea Containers president.

This is despite the loss of about £7m which the Channel Islands services will suffer for 1985. Sealink has announced steps to eliminate these losses and achieve at least break-even point in 1986.

Sea Containers, administered from London but based in Bermuda, bought Sealink for £66m in July 1984. Sealink made a profit in the second half of last year, but this was offset by earlier losses caused mainly by strikes.

Mr Sherwood said Sealink would be taking up with the UK's Office of Fair Trading its exclusion from the Belgium market now that its former partner in Belgium's Regie Voor Maritiem Transport (RMT) had reached an agreement with rival Townsend Thoresen, part of European Ferries.

Sealink had not been doing enough business because of its partnership with RMT.

Sealink is also planning new services from the UK to Scandinavia and Spain.

Mr Sherwood said Sea Containers was considering buying more hotels in the US and the Far East.

The group has just reported net earnings for the first nine months of $44.1m (£30.5m) against $56.9m for the same period last year.

He said total 1985 results would be down on last year because of oversupply and rate cutting in the container shipping industry.

Wage restraint route to more jobs challenged by TUC

BY PHILIP BASSETT, LABOUR CORRESPONDENT

TRADES UNION Congress (TUC) leaders yesterday responded critically to suggestions by Mrs Margaret Thatcher, the Prime Minister, that a reduction in pay settlements would lead to the creation of 200,000 new jobs.

Speaking to the Conservative Trade Unionists' conference in Blackpool, Mrs Thatcher warmly endorsed the Confederation of British Industry's (CBI) recent call for a 2 per cent reduction in settlements as part of a drive to reduce unit-labour costs.

She said: "We calculate that if we can have smaller increases a little bit below inflation, in the longer run it would create some 200,000 more jobs and help keep more work in this country."

In her speech, she insisted that new jobs were being created, that more people were now at work than they were at the time of the last general election in 1983 and that "enterprise is flourishing."

This theme was taken up by Lord Young, the Employment Secretary, who said that in the past six months the unemployment figures had flattened out. He admitted, however, that he had not seen the figure of 200,000 new jobs mentioned by Mrs Thatcher. It was not necessary to keep wage rises below the inflation rate, he added. There might be circumstances in which higher increases would be applicable, although it was a question of keeping unit costs below inflation.

Mr Norman Willis, general secretary of the TUC, said that there were individual circumstances in particular companies in which the proposition of reducing pay in order to maintain jobs could be made. Where it had been, unions had responded.

But overall, the unions wanted to talk about more than just wages. Speaking in a BBC radio interview yesterday he said emphasis on pay restraint did not encourage specific thinking – it just put the responsibility on trade unions, and that was not the way forward.

"In a few years unless we take broad policy decisions, as the oil income starts to reduce the country will be in difficulty. I don't think this narrow approach will encourage us to look at all those wide issues of investment and jobs."

Union defends ballots system

BY OUR LABOUR CORRESPONDENT

LEADERS OF Britain's largest union, the Transport and General Workers' (TGWU), meets today amid mounting criticism of the union's procedures for electing its executive council.

As Mr Ron Todd, TGWU general secretary, takes the step of writing an open letter to the union's 1.5m members defending its procedures, and as a succession of government ministers attack them, there were indications that today's quarterly meeting of the TGWU general executive council might consider the issue again.

Much of the criticism, chiefly in The Sun newspaper, concerns a view that the union's elections seem unlawful under the Government's 1984 Trade Union Act. The criticism comes in a year when the TGWU has already had to repeat Mr Todd's own election because of allegations of ballot-rigging in the first vote

Mr Todd makes the first sustained defence of the TGWU's electoral system in an open letter to be published this week

He says the attack on the union is "particularly disturbing because it is clearly timed to coincide and interfere with the current elections of the executive council." He writes: "Our executive is elected by you and is accountable to you, and I – as the principal officer of the union – see it as my duty to ensure that this remains so."

Mr Todd says that any candidate's future in the election "will be determined by the membership he represents through the ballot box, not by any small group of individuals." That is a reference to charges that the union's leadership is in the hands of a small group of left-wingers.

Mr Norman Tebbit, Tory party chairman, said the "most serious" allegations had been made against the TGWU in the press." The Sun newspaper has run a series of articles containing allegations which, if true, would seem to point to a well organised plot to deny fair elections."

Wimpey discusses reactor for Portugal

By David Fishlock, Science Editor

SENIOR PORTUGUESE energy officials from government and industry are visiting Britain tomorrow for discussions with George Wimpey, the construction group, about a prospective nuclear power programme in Portugal.

George Wimpey International and Atomic Energy of Canada, designers of the Candu nuclear reactor, have been invited by Portugal to report on a power programme based on the Canadian nuclear system.

Their joint report is expected to go to the Portuguese Minister for Industry and Trade early in 1986. Portugal has a long-standing interest in nuclear energy because it is about 80 per cent dependent on oil imports for its energy.

Wimpey says that the discussions are based on proposals that Portugal's first reactor might be 40 per cent-constructed in the country, with the proportion rising for subsequent units.

The two companies completed a survey of Portuguese industrial capability earlier this year. Latest Portuguese estimates suggest that the country might aim for 14 per cent of its electricity from nuclear sources by the year 2010, which adds up to about 3,000 Mw on current demand forecasts.

Portugal already has a uranium mine in operation – one attraction of the Candu reactor would be that it uses natural uranium as its fuel.

Tractor sales drop confirmed

By Andrew Gowers

A PREDICTED drop in UK tractor sales has set in over the last four months and looks likely to continue into next year, according to figures released yesterday by the Agricultural Engineers' Association (AEA).

Tractor registrations for 1985 are expected to total about 25,000 units between 1 and 2 per cent down on last year's level, but sales next year could fall by up to 10 per cent.

Tractor exports are about 9 per cent down from last year's bumper figures, reflecting the generally depressed state of Western agricultural markets and the firming of the pound this year.

One AEA official yesterday told the annual Smithfield livestock show that: "The tunnel is getting darker and it's difficult to see the light at the end of it."

Mr Frank Moore, AEA president, played down the warnings of gloom in the industry. The dairy sector had expressed similiar predictions when milk production quotas were introduced last year, but was "bouncing back again."

Farm machinery manufacturers could count on falling inflation, lower interest rates and the fact that no big changes in the EEC's Common Agricultural Policy were imminent, he said.

A decline in the UK tractor market *has been widely forecast* because of EEC cutbacks in farm support. The time it has taken to set in is explained by two factors.

First, the reductions in capital taxation allowances that took effect this year led to a spending spree among farmers keen to beat the budget. The effect of that on tractor registration figures has disappeared.

Second, this summer's poor weather has forced farmers to improve their equipment in order to complete their harvest in difficult conditions.

AEA officials expect the bad weather to affect tractor buying next year. The Ministry of Agriculture estimates that farm incomes are about 30 per cent down this year.

Directors seek tax incentives on shares

By Clive Wolman

THE INSTITUTE of Directors (IoD) has called on the Government to promote *individual* share ownership in the next budget by allowing investments in the newly issued equity of UK trading companies to be fully offset against tax.

In its list of submissions for the 1986 budget and Finance Act, published today, the IoD says that similar tax incentives to encourage individual share ownership have been introduced successfully in France and other European countries.

The IoD proposal is similar to that made last month by the Institute for Fiscal Studies (IFS). However, the IoD wants no limit to be placed on the size of the investment in shares which could be offset against tax. On the other hand, unlike the IFS, the IoD proposes that the tax relief should be clawed back if the shares are sold within a five-year period. It would further restrict the tax relief to investments in newly issued equity.

The proposal is an extension of the Business Expansion Scheme, introduced in 1983, which allows investment in the newly issued equity of unquoted companies to be offset against tax only if the investment is held for five years. The IoD proposal would apply equally to listed companies.

If such a reform is not accepted by the Government, the IoD proposes a relaxation of some of the anti-avoidance provisions in the legislation covering approved employee share option schemes. In particular it proposes removing the restriction that the options granted to an employee should not be more than both four times his salary and £100,000 per year. The ceiling quickly becomes a norm, the IoD says, thus creating pressure on companies to concede more to their senior employees.

In an unexpected initiative, the IoD also calls for the fringe benefits of the lower paid to be fully taxed. At present employees earning less than £8,500 a year are exempted from many of the provisions for taxing fringe benefits.

The IoD says that the £8,500 threshold, together with the National Insurance contribution thresholds for the lower paid, distort wage awards and create administrative difficulties for employers when dealing with the Inland Revenue.

However, the IoD objects to further increases in the standard scale by which company car use is taxed.

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TO ,

OR NOT

TO ?

Flea beetles. Mealy bugs. Honey bees. Stalk borers. Cabbage stem weevils.

You're a common-or-garden human being, but you can probably pick out the hard-working honey bee from all those nasty, horrible pests.

Many insecticides can't. They wipe out goodies and baddies alike.

But now bees everywhere can hum a sigh of relief. Our bio-scientists have come up with an insecticide that can tell friend from foe.

The breakthrough came a few summers ago, on a test-plot of mustard. We set up some beehives, waited for the bees to gather pollen, then sprayed away.

Eureka. The findings showed that our new formula spared the innocents.

The bees lived to tell the tale. We were optimistic. The bees were ecstatic.

Over the next couple of years, we carried out one field trial after another.

We sprayed fields of flowering crops. We tried our insecticide on winter wheat, where bees forage for honeydew. We used it when they were at their busiest, buzzing around for nectar.

Each time, much to the bee keepers' delight, with the same long term result.

Contented, busy-busy bees.

This was no isolated, one-off project. Our research centre in Kent carefully studies the environmental effect of every new Shell agrochemical.

Be it an insecticide, fungicide or herbicide. (And more besides.)

Nor do we keep the results under wraps. We publish them in scientific journals for everyone, including our competitors, to examine.

Occasionally this may affect our balance sheet, but it's a bonus for the balance of nature.

As any honey bee, given the opportunity, will gladly confirm.

Our campaign to 'save the bee' took years of painstaking research. But if we hadn't taken him under our wing, who would have?

That is the question.

YOU CAN BE SURE OF SHELL

TECHNOLOGY

EDITED BY ALAN CANE

Geoffrey Charlish reports on a system that may offer large savings on conventional data transmission methods

Radio links could cut big-site expense

BIG SAVINGS can be made in oil, petrochemical and industrial sites by using radio data transmission in place of conventional cabling.

That is the claim by Process Automation and Computer Systems (PACS), a Southampton company that has just introduced a system called Pacslink.

On a site where say, 100 sensors have to send their readings to a central data collection or control point, cable connections might cost about £400,000, while the use of 100 Pacslink units would cost only £100,000.

Transmitting data over radio links is hardly new. Telemetry, or point-to-point links for sending technical data, has been used since before the Second World War and in recent years, several companies have introduced systems for point collection of data where no wired connection is available—in marshalling yards for example. The cellular radio services, too, are now available for data transmission on the move.

Pacslink allows fixed instruments such as temperature and flow sensors to be connected by radio to a control room and if necessary, to each other, for exchanging data on almost any kind of large site.

Two kinds of unit are provided, a slave and a master. The "slave" can have up to 16 sensors connected to it. Each sensor has its own digital address to which it responds and on any site more than 260,000 addresses can be accommodated.

The slaves communicate over a maximum of seven VHF (very high frequency) channels in the 173.20 to 173.35 MHz band. At the moment a licence is required but the matter is under consideration at the Trades and Industry Department and it is expected that the band will be de-licensed. The equipment can be supplied for use anywhere between 150 and 200MHz, or above 400MHz for use in the US.

Data is gathered from the slaves or otherwise directed by a master station, with extra control intelligence, which is connected to a central console where the gathered data can be processed and displayed. Interfaces are under development that will allow a master station to be connected to wired networks and data highways in common use in the instrument *industry*.

A likely application will be in data logging by the master station, with 16 measurement points scanned each second. But a form of networking is also possible in which specific links can be set up according to a program. The master station, the slave itself, or the instrument connected to the slave can initiate transmission to the centre.

Interference with other, similar systems is unlikely since the maximum radiated power is *only 10 mw for large sites*, giving a range of about 1.5 km. For smaller sites a 1 mw transmitter is used with a range up to 500 metres.

Using frequency switched keying (small variations of radio frequency above and below the nominal channel frequency which correspond to the digits in the data), a data rate of 2048 bits per second is obtained on each of the seven radio channels. Some 900 sensors can be scanned every minute.

PACS says the system is intrinsically safe (power is from small batteries or a tiny solar array) and certification is expected in the middle of 1986.

Security is good. The company claims that the radio technology used and the network software allow only one misleading message in over 200,000 years.

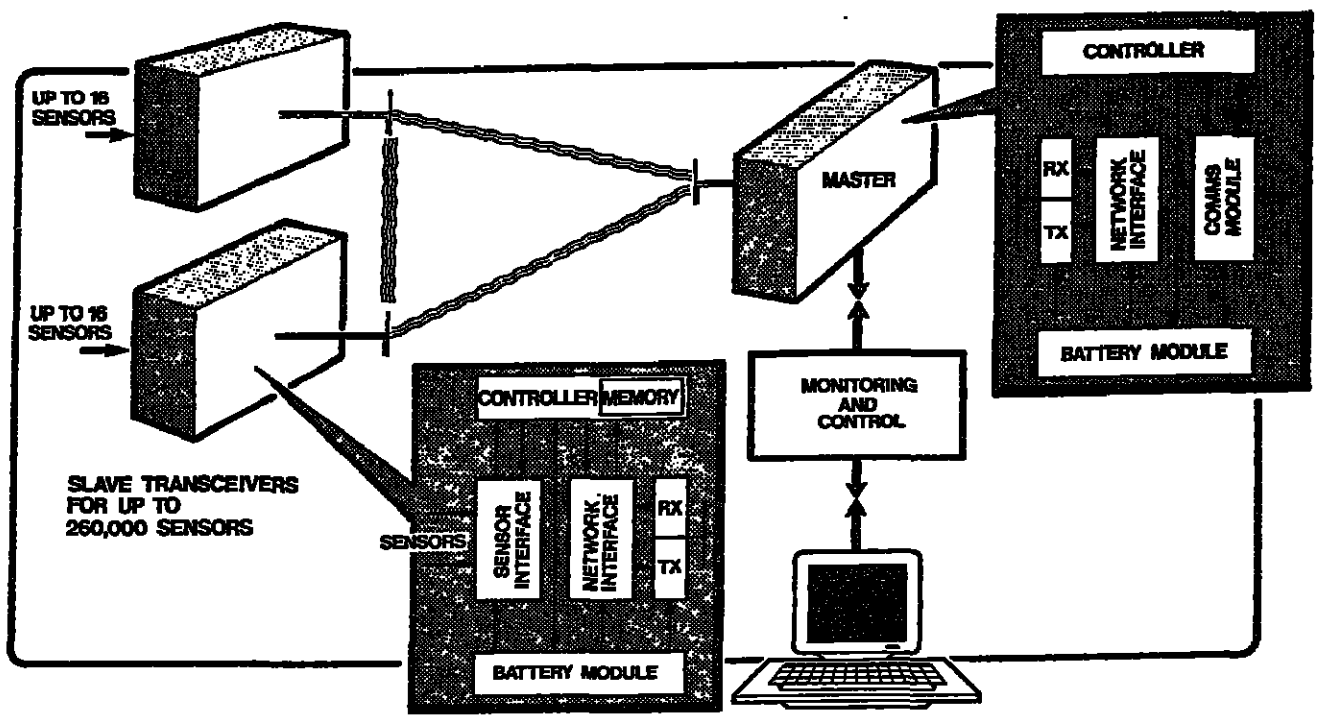
Trials on the first commercial installation at the Esso Chemical site at Fawley are due to start in two or three weeks, following earlier initial testing at two other sites.

Applications are expected by water, gas, electricity and sewerage organisations for communication with remote stations. Further likely uses will be at airports, docks and industrial sites. Warehouse data capture, machine monitoring, agricultural control and offshore use to save weight (of cables) are other possibilities.

PACS will sell the units complete with suitable instrument interface cards, direct to end users. In addition, system builders and instrument companies will be able to purchase either full systems or components for integration into their own products. Negotiations with a number of multinational instrument vendors are in progress.

Standard Telephones and Cables, which developed part of the radio system, will undertake marketing into military applications.

Pacslink could open new horizons in instrumentation because many applications have been held back by cabling costs. PACS says that the average cost of cabling is about £40 a metre, which for an average cabling run amounts to £4,000 for each sensor connected. A single Pacslink installation costs an average of £1,000. In the case of a medium-sized refinery tank farm, the system could save more than £1m.



These PACS master and slave radio units have micro processor control to allow big site data networking

Alvey opts for Orion

THE ORION superminicomputer, designed and built by the UK company High Level Hardware, has been selected as the principal workhorse of the Alvey Directorate's research programme in Intelligent Knowledge Based Systems.

The Orion computer, of which ten have been installed by the directorate, was chosen because it runs Unix, the standard Alvey operating system for IKBS, and because of its range of language compilers and microcoding possibilities.

The computer is said to offer roughly the same performance as the industry standard DEC Vax superminicomputer for about a quarter the price.

Telescope role for mirrors

A GROUP of 36 hexagonal mirrors will form a key feature of the world's most powerful astronomical telescope, due to be built on the Pacific island of Hawaii by 1991.

Itek Optical Systems of Lexington, Massachusetts, is building the mirrors under a $10.8m contract with the California Institute of Technology. The optical devices will form the 400-in primary mirror for the $87m, 200-ton W. M. Keck telescope, which will be installed on Mauna Kea, a volcano on Hawaii.

Fabrication of the mirrors is due to start next year. Once in operation, the optical system will let astronomers peer twice as far into space as the largest telescope now in existence. The telescope will enable scientists to detect objects some 200m times fainter than can be seen with the naked eye.

The Keck telescope is to be built and operated by the California Association for Research in Astronomy, which comprises the W. M. Keck Foundation, the California Institute of Technology and the University of California at Berkely.

Each hexagonal mirror in the primary array will be 72 in across, 3 in thick and weigh about half a ton. In operation, the segments will be positioned under the control of a computer. This will adjust the mirrors to within the diameter of a human hair and allow for distortions introduced into the system by gravity and increases in temperature.

Itek will construct the mirrors using what is called the stressed mirror polishing technique.

PETER MARSH

Disks lose to chips

● A new microcomputer from Action Instruments, Chichester, designed for factory automation, process control and field testing applications, uses chip storage in place of disks and can withstand harsh environments.

The A-PAC-BC10 is otherwise functionally the same as an IBM personal computer. It uses an 8088 microprocessor on a plug-in board and the usual housekeeping storage. In addition however, it has a board of bubble memory, giving up to 512,000 bytes of storage

Input and output cards are available for the machine allowing the direct connection of a variety of voltages and sensors (digital and analogue)

More help for bank staff

IBM has put its label on two new banking machines designed to make life easier for counter staff and for customers.

For counter staff it has announced the "teller assist unit" which dispenses cash to two cashiers seated side by side through a rocking dispensing slot. The machine is, in fact, designed by Inter-innovation, the Swedish-based company, which has already supplied it, under its own colours, to National Westminster Bank in the UK.

It has also announced a "personal banking machine," a device similar to a through-the-wall automatic teller, but suited only to indoor use.

It can dispense cash, handle loan applications and provide statements. It can be programmed to provide other routine services leaving bank staff free for more complex issues.

Heat resistor

PYROTEK of Milton Keynes is selling a new type of fire-resistant board for such installations as melting furnaces and electric control gear. The asbestos-free product is made from cement strengthened with inorganic material and can be used at temperatures up to 350 deg C.

Wildcat aims to change the drill

A BRITISH joint venture involving the Weir group hopes to influence a long-standing debate in the offshore oil and gas industry over whether to turn a drill from the surface or from a machine lowered down the well near the rockface.

Most drilling in the North Sea, is done by rotary table. This tried and tested system uses a powerful turning device on a drilling rig to turn a drill string—hundreds of lengths of steel pipe—which can often be tens of thousands of feet long or more.

Downhole motors, or mud motors as they are also known, account for about 15 per cent of the drilling, according to oil companies. These machine are powered hydraulically by drilling mud pumped at high pressure down the inside of the drill pipe to activate the tool.

Positive displacement downhole motors act like a corkscrew inside a rubber sleeve. Mud is pushed down the sleeve forcing the corkscrew to turn and this turns the drill bit.

The second kind of mud motor is a turbodrill. The mud is driven past turbine blades which rotate the shaft powering the drillbit.

The two systems have their special applications; positive displacement drills turn more slowly but with a very high torque. A problem for this system is wear. The rubber seals eventually weaken with the force of the mud which will drive its way between the seal and the driveshaft.

Turbodrills work at higher speed but develop less torque. Their makers claim a higher lifespan which reduces the cost of extracting all the drill pipe to replace the worn motor. The drillbit in this case can rotate at around 800 rpm against about 350 rpm for a positive-displacement motor. Drillstrings powered from the surface turn at around 180 rpm.

Weir and Wildcat, an Aberdeen specialist drilling company, have formed a joint venture, Weir Drilling, which plans by the end of the year to have a prototype running of a new range of turbodrills called "The Wildcat." These will be designed to combine the virtues of both systems: the torque of the positive-displacement motor with the speed of the turbine.

The turbodrill, its backers hope, will give the lifespan and performance to offer real competition to rotary table drilling in certain rock formations. Turbodrills have been around for some time, but the developers are reluctant to say how their design improves the motor.

Mud motors come into their own with the deviated wells which are rising in importance as the development of marginal oilfields offshore gathers pace. The wells are drilled to a certain depth and are spread out in different directions towards various points of an oil reservoir.

This form of drilling is one of the main lessons learned in the North Sea, where oil companies want to make the best *use of the hugely costly offshore* structures to reach as much oil as possible.

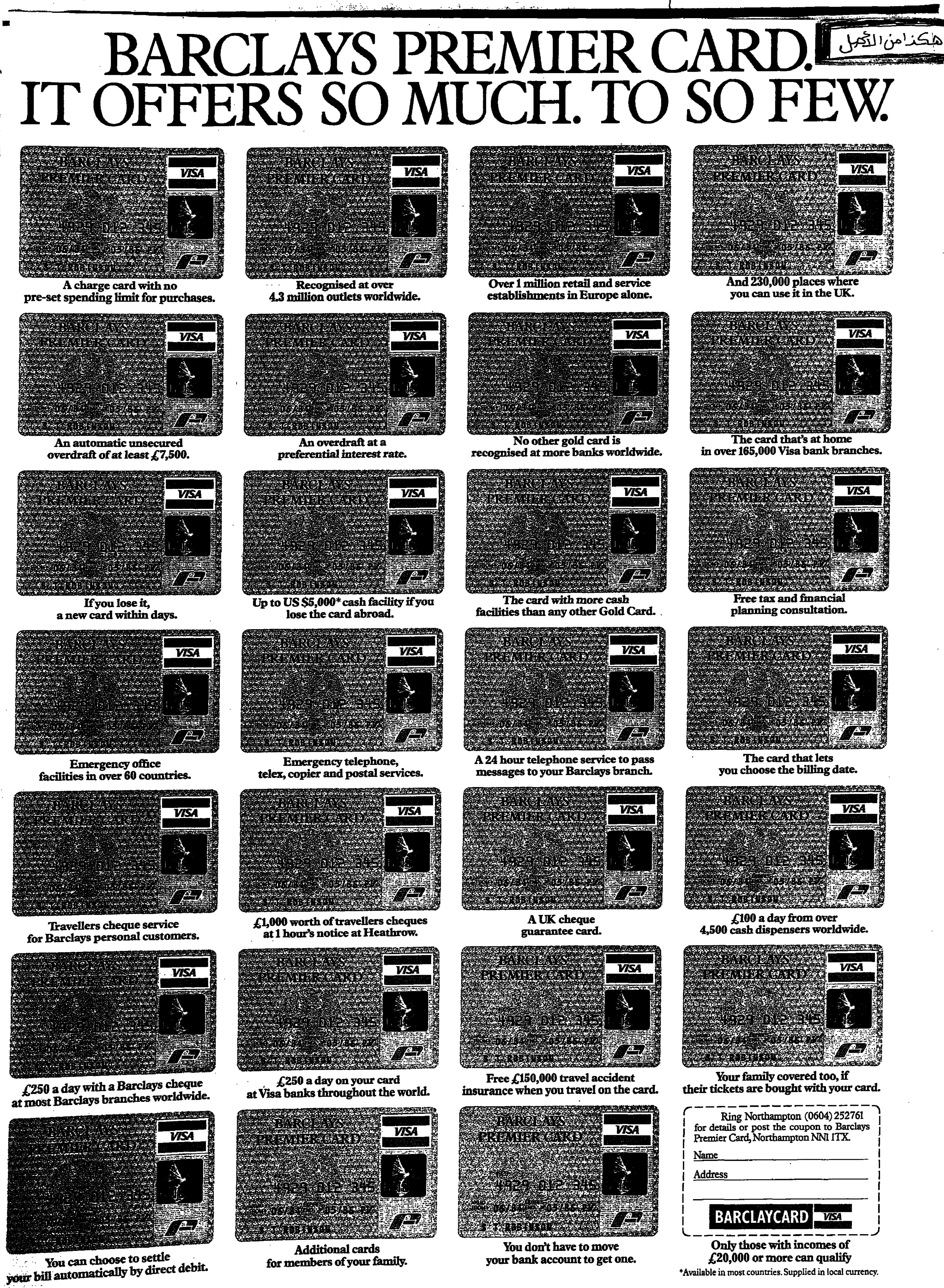
Wells can be deviated to penetrate rock thousands of feet away — sometimes nearly at right angles to the platform. But the greater the deviation, the greater the friction for surface-driven drilling equipment in which the entire drill string is turning. This increased strain can lead to the drillpipe shearing underground.

Downhole drills have been used for the "kick" used to take a well off the vertical on to its deviated path. But quite often conventional surface-powered drilling then resumes because of the oilmen's worries about machinery operating at remote depths.

The weir wildcat venture hopes to gain confidence of the operators to use mud motors past the kick point down to the eventual destination of the well.

They argue that the mud motors will eventually reduce the all-important cost-per-foot which the operators want to reduce especially in the exploitation of marginal oil fields.

MARK MEREDITH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IT OFFERS SO MUCH. TO SO FEW.
BARCLAYS PREMIER CARD
VISA
A charge card with no pre-set spending limit for purchases.
Recognised at over 4.3 million outlets worldwide.
Over 1 million retail and service establishments in Europe alone.
And 230,000 places where you can use it in the UK.
An automatic unsecured overdraft of at least £7,500.
An overdraft at a preferential interest rate.
No other gold card is recognised at more banks worldwide.
The card that's at home in over 165,000 Visa bank branches.
If you lose it, a new card within days.
Up to US $5,000* cash facility if you lose the card abroad.
The card with more cash facilities than any other Gold Card.
Free tax and financial planning consultation.
Emergency office facilities in over 60 countries.
Emergency telephone, telex, copier and postal services.
A 24 hour telephone service to pass messages to your Barclays branch.
The card that lets you choose the billing date.
Travellers cheque service for Barclays personal customers.
£1,000 worth of travellers cheques at 1 hour's notice at Heathrow.
A UK cheque guarantee card.
£100 a day from over 4,500 cash dispensers worldwide.
£250 a day with a Barclays cheque at most Barclays branches worldwide.
£250 a day on your card at Visa banks throughout the world.
Free £150,000 travel accident insurance when you travel on the card.
Your family covered too, if their tickets are bought with your card.
You can choose to settle your bill automatically by direct debit.
Additional cards for members of your family.
You don't have to move your bank account to get one.
Ring Northampton (0604) 252761 for details or post the coupon to Barclays Premier Card, Northampton NN1 1TX.
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THE WEEK IN THE COURTS

Paradoxes of judicial reviews

THE LIFE of the law lies not in logic but in paradox. Or so it seems from two of the Court of Appeal's recent decisions on applications for judicial review.

The first was *Regina v London Regional Passengers Committee ex parte London Borough of Brent and Others* (FT Commercial Law Reports November 29 1985). The second was *Regina v Chief Constable of Merseyside Police ex parte Calveley and Others* (The Times Law Reports November 28 1985).

What purpose does an application for judicial review serve? It enables the courts to consider and decide questions of public law. It helps to ensure that public authorities and officials reach their decisions in a responsible way.

In and before reaching decisions, authorities and officials must comply with the law's demands. They must act within and not beyond their lawful powers. In and before exercising a discretion they must take into account all appropriate matters and must ignore any inappropriate or extraneous factor. In their dealings with people affected or likely to be affected by their decisions, they must abide by the rules of fair play.

What the court is not entitled to do under the guise of judicial review is to usurp the functions of the public authority or official whose decision or method of reaching a decision is under attack. The procedure of judicial review is not intended to be an attack on the constitutional doctrine of the separation of powers, at any rate so far as that doctrine prevails in England. In the exercise of its power of judicial review, the judiciary does not try or claim to conduct the ordinary business of administration. Its main concern is to decide whether on a particular occasion or within a particular context that business is being conducted in accordance with the law's demands.

What were the paradoxes in the two recent decisions?

The Brent Council's application arose in connection with a proposed closure by British Rail of some of its services including some from Marylebone. The London Regional Passengers Committee decided that at its public inquiry into the merits and demerits of the proposed closure no cross-examination and no final speeches by counsel were to be allowed.

Cross-examination of British Rail witnesses would have enabled the objectors or their representatives to have tested the strength of British Rail's arguments in favour of the proposed closure. Final speeches would have enabled the objectors' viewpoint to be put persuasively and would have given due emphasis to aspects of the objectors' arguments which might otherwise have been overlooked.

Both cross-examination and final speeches are ways in which the objectors at a public inquiry are given a proper opportunity of a fair hearing of their case. The consequences of any railway closure to members of the community in the relevant localities are considerable.

Nevertheless, the Court of Appeal rejected the application for judicial review of the committee's decision to dispense with cross-examination and final speeches at its public hearing.

The basis of the Court of Appeal's ruling was that the committee's public inquiry did not have to "determine any issue of a judicial nature." *Therefore a general duty of procedural fairness* did not apply.

The statutory requirement of a public hearing was to let the public and the press know what was going on.

Moreover, the hearing might involve many objectors—in this case more than 900.

Does this mean that the more people affected by, or concerned in, a public inquiry, the less urgent the need to observe the demands of procedural fairness?

Is procedural fairness to be sacrificed on an altar of economic expediency?

Why should so important an aspect of procedure at a public inquiry depend on whether on the particular occasion the issues are or are not justiciable?

Are two of the safeguards of justice to be denied in an important inquiry because the inquiry does not take the form of a trial in a law court?

The availability of a remedy like judicial review should not depend on such fine distinctions as whether on a particular occasion the issues under consideration are or are not justiciable. This approach gives insufficient scope for legitimate judicial control over public authorities' and officials' decisions or methods of reaching decisions.

The time has come for the House of Lords to remember the majority views expressed on this topic in 1980 in *Bushell and Another v Secretary of State for the Environment* 1981 AC 75 and to transform the opinions expressed by Lord Edmund-Davies in that case from the dissent of a minority of one into the universal rule unanimously approved.

If a public inquiry into a railway closure is not amenable to judicial review, how about a decision of a disciplinary tribunal resulting in the dismissal of police officers?

This might, on the face of it, seem to be more a matter of the individual rights and remedies of the particular officers rather than to raise issues of public law suitable for judicial review.

But the Court of Appeal allowed Mr Calverley's and his colleagues applications for judicial review even though an alternative remedy was available: an appeal to the Home Secretary.

The Court of Appeal quashed the disciplinary tribunal's decision because the officers were not informed officially of any complaints about their conduct until some two and a half years after the relevant incident had occurred and an investigator had been appointed.

This involved a breach of regulation seven of the Police (Discipline) Regulations 1977 which provided that "the investigating officer shall, as soon as practicable . . . in writing inform member subject to investigation of the . . . complaint."

There had, in the judgment of the Court of Appeal, been so serious a departure from the disciplinary procedure that the court should in the exercise of its discretion grant judicial review and set aside the decision of the relevant tribunal, namely, the chief constable.

The availability of an alternative remedy did not prevent the Court of Appeal from granting judicial review in Mr Caverley's case. The lack of any alternative remedy did not cause or compel the Court of Appeal to grant judicial review in the Brent Council case.

Applications for judicial review have become so frequent and prominent a feature of the forensic scene that they tend to overshadow other cases in which the law is developed and applied.

One such case was the Court of Appeal's decision in *International Drilling Fluids Ltd v Louisville Investments (Uxbridge) Ltd* (The Times Law Report November 29 1985). In this case the Court of Appeal has proclaimed the principles which govern a court's decision whether a landlord's refusal of a licence to assign a lease is unreasonable.

There were seven principles.

The first was that the purpose of a covenant against assignment without the landlord's consent, such consent not to be unreasonably withheld, was to protect a landlord from having his premises used or occupied in an undesirable way or by an undesirable tenant or assignee.

reduction of armaments is

The second was that the landlord was not entitled to refuse consent to an assignment on grounds which had nothing to do with the relationship of landlord and tenant of the relevant premises.

The third was that the tenant had the legal duty to prove that consent was unreasonably withheld.

The fourth was that a landlord discharged his legal duty if he satisfied the court that his refusal was based on grounds which a reasonable person might have reached in the circumstances.

The fifth was that a landlord might reasonably object to an assignment because of the purpose for which the proposed assignee intended to use the premises, even though the lease did not prohibit use for such a purpose.

The sixth was that though as a general rule a landlord need only take into account his own relevant interests, in some circumstances the benefit of an assignment to the tenant might outweigh any harm to a landlord so heavily as to make it unreasonable for a landlord to refuse consent.

The seventh was that in each case it was a question of fact depending on all the circumstances whether the landlord's consent to an assignment was being unreasonably withheld.

Until the law of the landlord is codified, a periodic restatement by the judiciary of relevant legal principles is bound to be beneficial.

Justinian

Contracts & Tenders

Art Galleries

Clubs

Company Notices

Cable and Wireless, a cross-section of our growth, past, present and future.

May we ask you two questions?

One. Which do you think is the most useful invention of the past hundred years or so?

Two. Which do you think will grow fastest in the next fifty?

You're bound to consider the internal combustion engine, the aeroplane, atomic energy and the microchip, of course.

But how about telecommunications?

You have to admit there's a case to be made for them, and it's timely to make it now.

It'll take a short history lesson but we promise to make it as painless as possible.

1866, the Entrepreneur.

The founder of Cable and Wireless was a vigorous and determined entrepreneur called John Pender.

In 1866 he was largely responsible for laying the first transatlantic, submarine cable.

With the dots and dashes of the Morse Code, it meant the United Kingdom was only minutes away from the eastern seaboard of the United States (Stock Exchange and Wall Street closing prices were transmitted daily).

By the end of the century he had created a submarine cable empire that virtually covered the world and stretched for 50,000 miles.

Unending success beckoned? Not exactly.

1920's, the Italian.

A young Italian scientist called Marconi had earlier patented his radio device and now offered a transatlantic telegraph service (the one which brought Crippen to trial). It was three times faster than cable at about one twentieth of the cost.

Marconi made the British government an offer they couldn't refuse: that his telegraph service and our cable assets be merged.

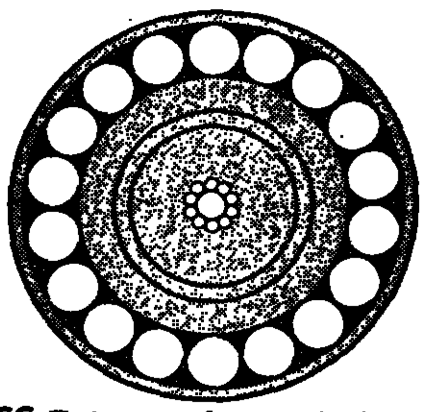
It was a happy marriage which, helped by new technology, prospered even during the depressed thirties.

1950's, the voice.

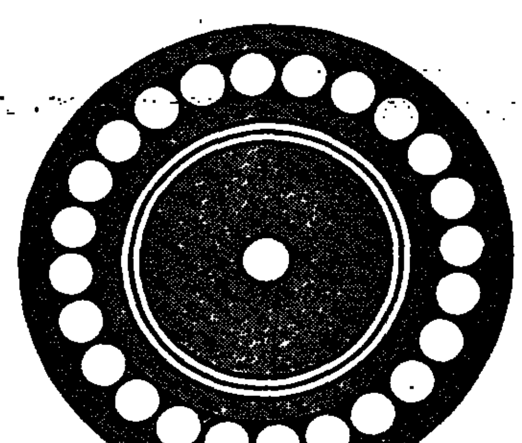
Then in the mid 1950's the first coaxial cable was laid across the Atlantic, carrying distant voices. (Although you still had to queue-up to make a call.)

But the pace of innovation was quickening.

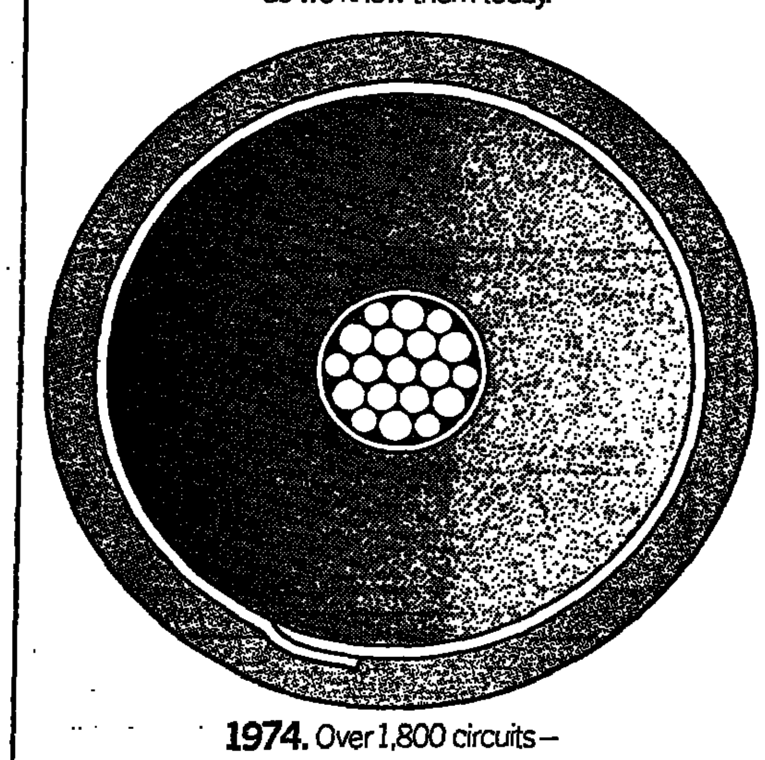
Rockets placed satellites in space, to and from which we bounce messages on 44,000 mile journeys between our earth stations round the world.



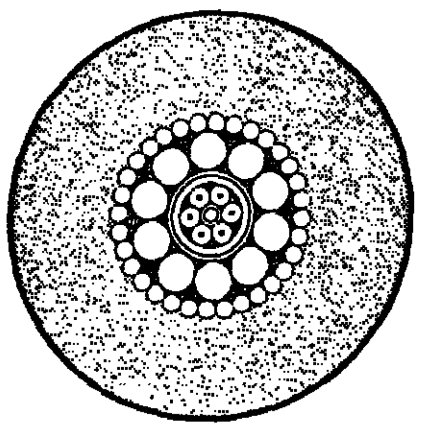
1866. First successful transatlantic cable. Roughly six months to transmit the Bible by Morse Code.



1956. First coaxial cable across the Atlantic. Thirty-six circuits bring phone calls as we know them today.



1974. Over 1,800 circuits – queuing eliminated.



1989. Cable and Wireless' fibre-optic cable to America. 12,000 circuits able to transmit the Encyclopaedia Britannica in a few zips of light.

Next came larger coaxials, then the miraculous fibre-optic cable carrying voice and data at the speed of light (the entire Encyclopaedia Britannica in a flash).

Now, computers and microwaves all play their part, but our real growth has accelerated in the past 4 years.

1981, the new freedom.

In 1981 the government privatised us in its belief that companies flourish when managers are free to act in an entrepreneurial spirit (shades of John Pender).

We are proud to say we have repaid its trust.

At the time of going to press, our annual pre-tax profits have grown fourfold.

Mid-1980's, the explosion.

There's nothing new in people's urge to communicate, of course.

But as international business has grown, this urge has now assumed unprecedented proportions.

Just about every country in the world is expanding and updating its telecommunications. And new technology is constantly needed to make systems faster, cheaper and more effective over greater distances.

Currently in fact, we're improving and maintaining systems in some thirty-six countries.

In Hong Kong we operate both its internal and external telecommunications systems.

Earlier this year, we agreed with China to study together the feasibility of establishing up-to-date telecommunications between the main cities of the Yangtze Delta.

Meanwhile, in America we've laid fibre-optic cable along the rail-road from Dallas to Houston and we are operating circuits from New York to Washington and soon, Chicago.

In Barbados we are co-operating with the government to bring the latest digital communications to the island and help its main industry, tourism.

In Bahrain, we have a 40% stake in one of the most advanced telecommunications services in the Middle East and we manage the entire system.

While last year, our ships laid a submarine cable linking Australia and New Zealand with Canada via Fiji and Hawaii – eight thousand miles in all.

We hope we have shown how Cable and Wireless has grown bigger as the world, in communication terms, has grown smaller.

Cable and Wireless.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

UK-Japanese alliances

Fusing two cultures

BY CHRISTOPHER LORENZ

THE British management of a small Anglo-Japanese joint venture making machine and motor components in the UK was delighted when it won an exceptionally large order. The good news was communicated to Japan, but there was no reply.

The message was repeated, but there was still no answer. No congratulations. No comment. Nothing.

Utterly perplexed, the managing director then made inquiries through his personal contacts in Japan. He was told: "If the head office doesn't answer within four or five months it means 'no'." The Japanese parent, for reasons of its own, did not want the venture to accept the order, but was not prepared to say so in the direct way which would have been expected in the West.

On another occasion, the UK joint venture received a telex from the head office in Japan. Precisely the same telex was sent to the Japanese company's own subsidiary in continental Europe. Because of the tendency of many Japanese words to be ambiguous, Japanese managers at the two locations interpreted its meaning differently. The only way to find out the intended meaning was to telephone the head office in Japan.

Such are the everyday travails of an Anglo-Japanese joint venture which has been operating successfully for over 20 years. So it is not surprising that Dr Malcolm Trevor, the author of a study of 11 joint ventures and collaborative agreements between UK and Japanese companies — most of them much "younger" and less experienced—says that the main operational problem likely to "affect" such enterprises is communication. A more appropriate word would be "bedevil."

Apart from language differences themselves, Trevor says one of the main problems for many joint ventures is Japanese social conventions which render taboo the admission of problems and mistakes, and ban the word "no." He quotes a UK executive whose electronics company has a collaborative agreement with Japan as saying that Japanese executives "can't admit they don't understand or have made a mistake . . . if there's a problem they can't solve they will give a polite but inaccurate answer."

None of the companies examined in the study is named for reasons of confidentiality, though the identity of some of them is not difficult to guess in view of the limited number of such ventures.

Trevor, who is a research fellow at the Policy Studies Institute in London and has considerable experience of Japanese management in Europe, places much of the blame for communications problems on the unwillingness (or inability) of many British managers to adapt to Japanese ways. On the very basic question of language, for example, he says he was surprised how little some of the managers he observed in his research were aware of the need to speak English more slowly and simply.

Drawing on the experience of Anglo-Japanese partners which have managed to overcome many of the cultural and language differences, Trevor points to the vital importance of close personal relations on both sides. At both the component and electronics companies he cites, senior UK managers think nothing of jumping on a plane to Japan whenever necessary "to pursue the sort of face-to-face contact that is so important in Japanese business."

In contrast with this enlightened if exhausting practice, Trevor cites the frustration of a senior executive in a UK electronics company at his inability to find "the person" responsible for making decisions in his Japanese partner's parent company—either in the UK or Japan.

The executive was apparently unfamiliar with consensus decision-making — a system whose cumbersome nature was brought home to a British automotive company cited in Trevor's study (could it be BL?) when the Japanese partner proposed to send over hordes of engineers to discuss an issue which the UK company thought could be settled by just a handful of engineers from both sides. The company was not only staggered by the size of the Japanese deputation, but also by its members' apparent lack of authority to take decisions.

On the controversial question of whether collaboration with Japanese partners is likely to foster or hinder the regeneration of British industry, Trevor says it is obviously unfortunate that most deals have been launched from a position of weakness on the British side: "This is not the best starting point for collaboration." Yet, just as the Japanese themselves used collaborative agreements with US and European companies in the 1950s to help themselves catch up, so western companies should now be trying to do the same.

A constructive strategy of this nature must be based on more than just a concept of minimal short-term defence, such as filling a product gap, warns Trevor. "A purely defensive strategy carries the risk that you will always remain weak . . . if a Japanese company does enter such an agreement, it is because there are genuine advantages for it. It is not a question of doing a local firm a favour."

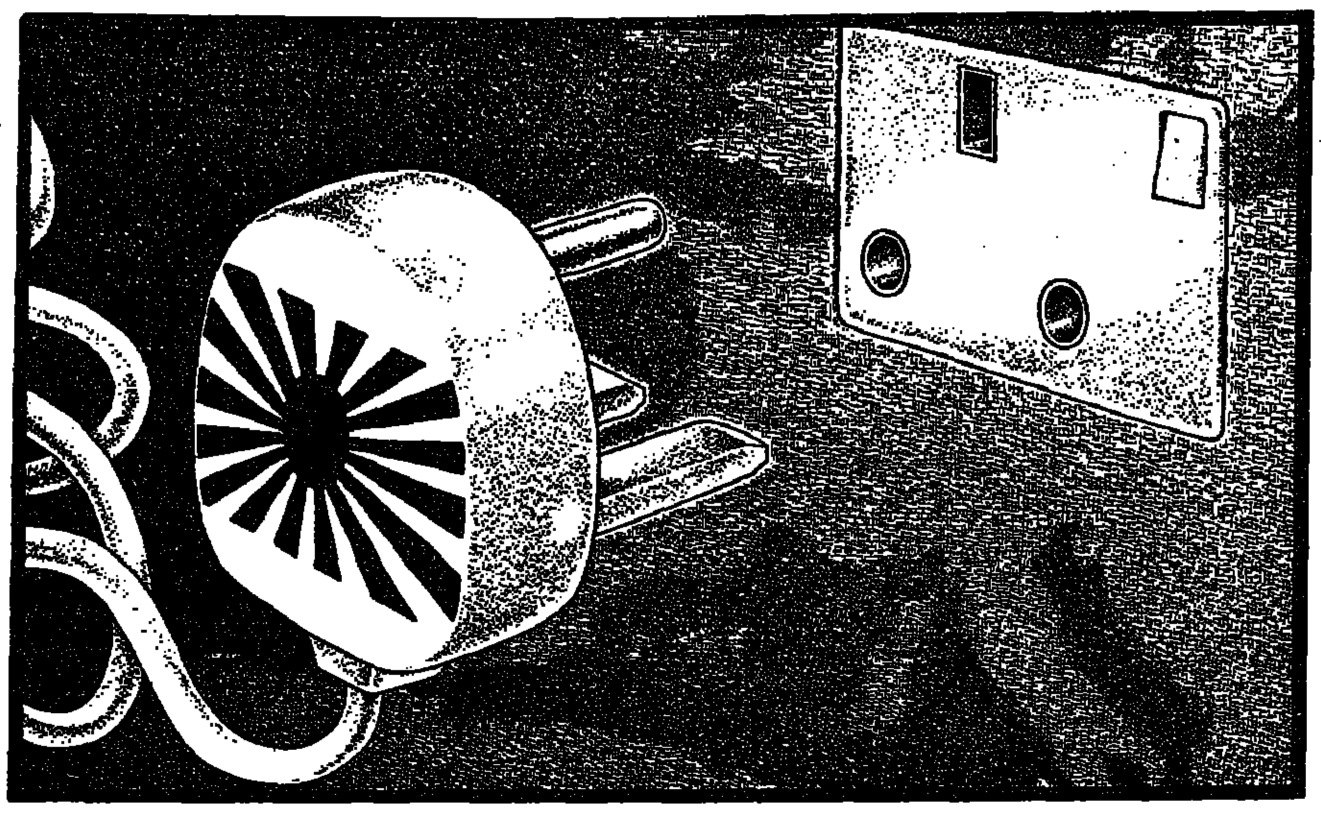
For most Japanese companies today, says Trevor, the main purpose of establishing joint ventures and collaborative agreements in Britain is unashamedly to increase their market share in the European Community. But for the UK partner the main priorities should include a high level of local content (in manufacture) and the transfer of expertise from Japan.

So far, according to the study, there is little sign of technology transfer in the form of research, development or design. But this is not necessarily just because of Japanese reluctance, Trevor argues. Among the constraints are the short time since most of the joint ventures and collaborative deals were set up, and the small size of most of the companies involved.

But Trevor does consider the Japanese side at fault for the lack of orientation training for Japanese managers who are sent abroad, and for the practice of limiting their overseas appointments to an average of five years. Both these shortcomings create problems of consistency and continuity.

Despite these negative pointers towards the ability of the UK partner in such deals to turn them to their long-term advantage, Trevor does cite the positive experience of several companies in his study. Some have made dramatic improvements in product quality, as well as implementing various aspects of Japanese management style.

**Japanese industrial knowledge — Can it help British Industry? PSI Report published by Gower. Price £18.50.*



Lessons for Honda and BL

MARK SNOWDEN knows more about Anglo-Japanese collaboration than most people. Austin Rover, where he heads product development, has been working closely with Honda for six years, first as very much the junior partner — adapting Honda cars and selling them as Triumphs—and since 1983 on a more equally balanced basis, in the joint design and development of the "XX" executive car.

Honda's ability to get its version, the Legend, into production (and the prime US market) six months ahead of Austin Rover has not exactly caused delight to the British side—the two companies still compete in the marketplace. Communication problems have also arisen from the two companies' very different ways of working: Snowden says that Austin Rover has, to its surprise, found Honda's methods much more informal than its own "more disciplined" approach. Yet in general he says the relationship has functioned "with remarkable efficiency and stability."

With the XX programme almost complete, the two partners have signed an understanding which initiates a further project—a medium-sized car dubbed by insiders the "YY." Among the lessons learned on the XX, Snowden told a recent conference organised by Britain's Society for Strategic and Long Range Planning, was the need for closer monitoring by each side of the other's work.

On the XX development effort was carefully divided between the two sides, who then worked on their own in a largely independent manner. A similar division of labour was being adopted on the new project, but with the difference that representatives from each side would be involved throughout the process. Joint monitoring of the programme would also be closer, Snowden said; on the XX "there were occasions where we took extra time because we didn't have procedures." This was one of the reasons why the development of the XX had taken "slightly longer" than the norm for either company's separate projects.

Japanese in Europe

Divisions over the work ethic

BY CARLA RAPOPORT IN TOKYO

AT A RECENT sayonara party for four Japanese executives bound for assignments with their company's UK subsidiary, the chairman wished them luck with their new company. "The truth is," he said, "that you are leaving a Japanese firm and joining a British one."

A recent survey carried out by the Japan External Trade Organisation (Jetro) supports the chairman's notion. Earlier this year, Jetro polled all 188 Japanese manufacturing subsidiaries (wholly and partly owned) operating in Europe. Two-thirds of the companies responded and their answers were collected into a survey published in English this month. (A Japanese version appeared in September.)

The Jetro study shows that few of the companies tried to export Japanese working practices wholesale, but primarily chose to adapt to local labour conditions. Methods which have achieved success have been blue-collar management practices, such as promoting people from the shop floor to management and instituting the well-known Japanese quality circles.

The inability to export such methods as fusing the interests of management and labour may, however, have more serious consequences in the long run.

The Japanese notion of overtime, for example, does not go down well in Europe. While about 75 per cent of the companies surveyed said they asked their employees to work overtime, getting them to agree to the request, they said, was much more difficult than in Japan.

Reasons for the difficulty in ordering overtime ranged from "the employees give too much emphasis to their private lives," to local labour laws. Some 40 per cent of the companies said that employees had refused to obey orders when told to do overtime work. In those cases, a quarter of the companies gave the work to the Japanese staff, another quarter hired part-time workers and the rest adjusted production plans.

On the issue of labour relations, the Japanese companies try to heed local customs. Nearly two-thirds of the companies surveyed said that they hired local people for their labour relations jobs.

The study is directed at Japanese businessmen contemplating their own moves into Europe, so it includes some touching descriptions of labour conditions in Europe. These go some way toward explaining why many Japanese management practices cannot be happily transplanted to European soil.

For example, the study notes: "Western Europe is more advanced compared with Japan in social security systems. Local employees, unlike Japanese employees do not consider their work to be the centre of their lives. If push comes to shove, they consider work something they have to do to live. This is where the difficulty lies in expecting local employees to contribute as much to their companies as Japan."

The survey also cast some doubt on whether the Japanese-style labour-management agreements concluded in Europe would actually stick. Quoting George Orwell's "The Lion and the Unicorn," the study suggests that labour-management in Europe is rooted in "class confrontation."

All of the Japanese affiliated electronics manufacturers in the UK, for example, are small in scale. While they have succeeded in establishing Japanese style labour management relations, "their successes might not apply to a large corporation such as Nissan UK which will eventually employ 10,000 workers," it notes.

"Trade friction can, in a sense, be called cultural friction. In this way, corporate investment may well cause cultural friction," it warns. "Numerous difficulties will have to be resolved before the recipient countries find them totally acceptable and the investing companies find them profitable."

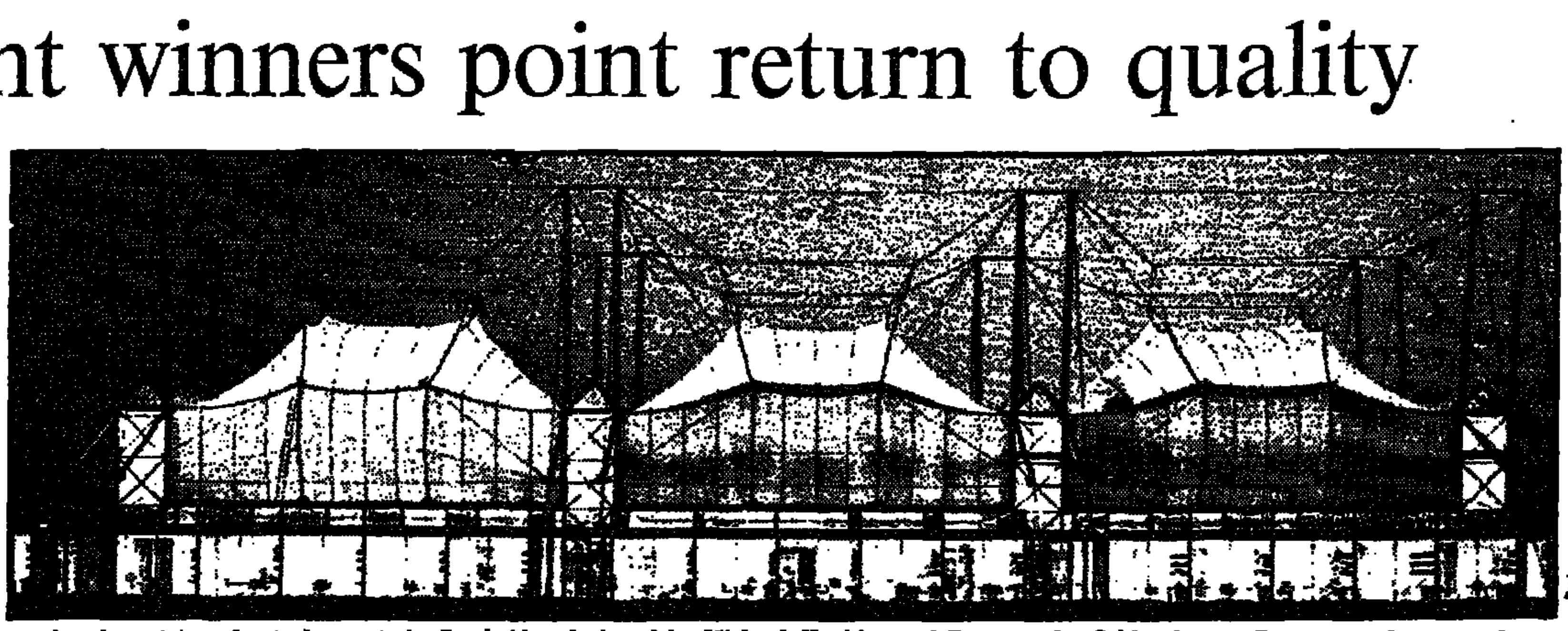
The State of Operations of Japanese Affiliates (Manufacturing) in Europe. Japan External Trade Organisation. Contact Hiroshi Fujiwara, Deputy Director, European Division, Overseas Research Departments, Jetro 2-5 Toranomon 2-chome Minato-ku, Tokyo 105 Japan.

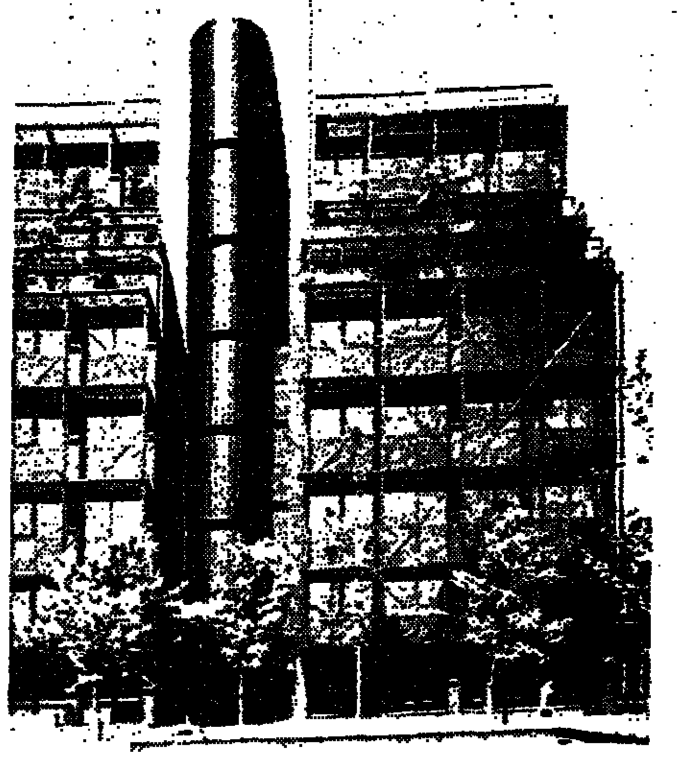
THE ARTS

Financial Times Architecture at Work Award

Joint winners point return to quality

In industry and commerce architecture has found patrons who appreciate quality and innovation. **Colin Amery** finds signs of much improved design standards among the winners.





An elegant tent for technocrats in Cambridge designed by Michael Hopkins and Partners for Schlumberger Research (above), and a calm bronze collection of offices around an atrium in the City by Peter Foggo of Arup Associates.

This newspaper first established an architectural award back in 1967 which ran until 1981. It served its purpose well, which was "to encourage higher architectural standards in the field of industrial architecture." In the days when it was founded there was still an enormous legacy of ugly and outdated industrial buildings *and much new development* was decidedly undistinguished. There had, however, often been a problem for the jury to decide what was "industry" and what was not. Where, for instance, did a research laboratory stand and why were offices excluded? In 1982 the decision was made to broaden the definition and instead of being known as the *Industrial Architectural Award* it became known as the *Financial Times Architecture at Work Award.*

This year the joint winners justify in a precise way the decision to expand the award. For the first time an office *building in the City of London* has won the award, sharing it equally with an experimental research building outside Cambridge. The two strands of commerce and scientific research are crucial to the development of the British economy and the fact that both these areas are now producing buildings of real quality is *heartening both to the architects* and to the public.

There were more than 100 entries for the Award this year and they covered a wide range of places where people work. The entries, naturally enough, reflected the development market and the jury visited the sort of industrial estate that is becoming typical. Often dignified by the name "business park" they tend to be a mixture of offices, servicing and small industrial units for the various new technologies. In architectural terms they are often competent versions of the sort of aluminium profiled steel *sheds that have frequently won* architectural awards. Good landscaping is more widespread now and much to be encouraged.

A relatively new building type which is becoming a familiar entrant is the large superstore, situated on the edges of towns or on green field sites, always surrounded *by parked cars. The conversion* of country houses and the building of new headquarters in the country is also a noticeable trend. Following the American example many companies see the advantages for their staff (and sometimes for prestige) of occupying head offices in park-like settings on the edges of agreeable country towns. *There seems to be no reason* why, in motorway Britain, commercial development should be confined to overcrowded cities. However, our jury this year did not feel that the superstore or the head offices in the country had achieved a *high enough architectural* standard.

The architecture and design of places of arrival and departure in Britain still leave a great deal to be desired. Serious efforts are being made to improve the look of much of British Rail's building stock but there is not yet a consistently high enough *standard.*

New airport buildings and terminal facilities at the ports have so far failed to match the elegance of our European and American competitors. British airports are seldom more than workmanlike, and there is nothing to match the inspired designs for the complete rebuilding of Kennedy Airport.

The Architecture at Work Award provides a valuable annual survey of the state of the art of architecture. At a moment when there is little public expenditure on important building projects it is timely to consider the effects *of private patronage on the* designing professions. The signs are encouraging; developers are realising that good architecture sells. The general public is also now much more concerned about architectural issues. It may have taken the Prince of Wales to voice the long-held doubts of most of us, but it has taken *bold developers to provide the* right kind of patronage, the only way that architectural standards can be raised.

The winning firms of architects are no strangers to awards. Michael Hopkins and Partners, the designers of the Schlumberger Cambridge Research Centre, have acquired a reputation for the invention *of new building prototypes that* are experimental and innovative. Arup Associates (designer Peter Foggo) have a less radical image but such a concern for design and consistency that their commercial premises are a model of clarity and com*petence.*

The Schlumberger building in Cambridge sits in the meadows like a strangely angular bird that has landed from another planet. Closer inspection reveals something much more rational. Two rows of offices and laboratories flank a central testing area and public spaces that are covered *by the remarkable Teflon membrane roof.* The roof is suspended *from masts*—it looks like giant sails or the Big Top. Because of its translucency the great roof seems to shelter the activities below like a fragile shell. It does in fact have a limited guaranteed life, but one that satisfies the client.

The Schlumberger world is a *highly specialised one (services* for oil exploration) and the kind of staff they need will work in teams of assorted disciplines and often have to move from one research centre to another. The imagery of the technological tent with a relatively *short life suits their business* and provides the scientists with an inspirational background.

The new offices in the City satisfy the demand for new sorts of spaces for the newly-liberated financial services industry. It is vital for the City to have the right kind of spaces and Number One Finsbury Avenue offers not just efficient offices *and dealing rooms* but also a grand atrium that can provide for a public use and be an asset to the fabric of the City.

The remainder of the Broadgate development, one million square feet under construction, is also designed by Mr Foggo in the same vein. As it is the largest post-war development in *the City it is fortunate* indeed that the developers see the point of good architecture.

The City of London is changing its financial trading structures to such a degree that its physical fabric has to be radically altered to keep pace. *designed by* Peter Foggo of Arup Associates are expected to The decision to build the rail link from the Bank to Dockland means that the future of the City must be to look east where there is room to build and a desperate need to improve the environment.

Important areas of recent redevelopment—London Wall, for *instance—show up* the inadequacies of post-war buildings. It is essential that architectural standards are constantly raised. It is a time for optimism; there is plenty of talent around and the full horror of the underspending on our inner cities since the war should be signal enough to say that things have to change.

The Architecture at Work Award commends innovation and quality this year and the results show how encouraging it can be when there are patrons enlightened enough to recognise that there has to be a return to quality.

Philharmonia/Festival Hall

Paul Driver

The Philharmonia Orchestra's concert last Thursday evening was directed not by its principal conductor, Giuseppe Sinopoli, as advertised but by the Russian Thomas Sanderling, son of the well-known conductor, Kurt Sanderling. Thomas Sanderling is now resident in West Germany, and artistic director of the Amsterdam Philharmonic Orchestra. This was his first appearance with the Philharmonia in the Festival Hall.

He revealed himself very clearly as a conductor who knows his business. His technique looked and sounded highly efficient, and passion and drive were in all three performances. He had stepped into quite an unusual programme, entirely devoted to Schumann (*Genoveva* overture, piano concerto, third sym*phony*), *but was* able to continue the case for it exuberantly.

The *Genoveva* overture — a splendid piece—went superbly, bubbling or bouncing along, full of glistening lines, every detail freshly considered. And Sanderling's conducting seemed to find just that requisite slight edge of febrile intensity.

The American Malcolm Frager was a model soloist in the piano concerto, his sensitivity to the Schumannesque as quick and deep as his digital control was impeccable. Everything in his exposition of the solo part was flexibility and intelligence. Schumann's tempo and expression markings were faithfully observed, and his musical moods were spontaneously recreated — in neither case with a trace of pedantry or obligation. Sanderling and the orchestra were with Frager in every particular. The performance placed itself beyond criticism.

Sanderling made noble work, too, of the *Rhenish* symphony. Its first movement was overflowing with energy, radiant with impetus, both sparkling and rigorous. It seemed a complete statement of itself, a symphony within a symphony. The three slow or slowish inner movements were beautifully intoned, the French horns sounding deliciously liquid in passages of the so-called scherzo, trombones creating a spacious solemnity in the fourth movement's evocation of a ceremony in Cologne Cathedral. The finale was fascinatingly well-argued and made a brave close to a *particularly satisfy*ing evening.

Christmas in Stratford

Nicholas Nickleby returns to Stratford-upon-Avon over the Christmas period starting on December 13, with a new cast including Michael Siberry as Nicholas.

At The Other Place there will be a new adventure play for 7-11 year olds by David Rome called *The Quest.* This opens on December 6 with morning and matinee performances, ending on January 11.

Royal Philharmonic/Festival Hall

David Murray

There were children of all age-levels at Friday's concert by the Royal Philharmonic Orchestra and André Previn. Probably Britten's *Young Person's Guide to the Orchestra* had supplied the immediate cue, but the whole programme was apt enough, if maybe a bit long for young listeners: Ravel's *Rapsodie espagnole*, Prokofiev's *Piano Concerto no. 3 and* Copland's *Appalachian Spring* made a colourful and varied menu. There was no call for patronising chat, and it wasn't missed. The more often that children hear concerts like this one, the less constrained will concert programmes have to be, 10 or 20 years from now, in order to be safely "commercial."

Truth to tell, it took a while for the orchestra to rouse itself properly. Previn's treatment of the *Rapsodie espagnole* was faithfully stylish, without the languid droops that are commonly supposed to create Atmosphere; but it would have benefited from crisper orchestral attack throughout. Little was actually smudged, and yet there was a pervasive soft-focus effect: Ravel's effects want cooler precision than that.

There was more verve in the Prokofiev, with Jon Kimura Parker a scrupulously musical soloist. Some of the frank animal excitement in the score was played down—the outer movements had neither the breakneck speed risks nor the exuberant bursts of hammering that can raise their voltage (as Prokofiev undoubtedly in*tended*). But no passage was wasted: with unfailingly cultivated tone, Kimura Parker *explored his part most* sympathetically, keeping the lyrical side of the music always to the fore.

Previn was an expert partner, and his solo winds brought as much poised confidence to the Concerto as they did later to the *Young Person's Guide.* In the latter, which was notably well paced and lively, the *strings were somewhat over*whelmed by the brass at the end (the return of Purcell's tune loses its thrill if the cross-beat pulse declines into a background hubbub). In between, however, they carried the burden of *Appalachian Spring* warmly and sensitively. Previn conducted it *con amore*, with impeccable tempi and excellent pointing. *My nine-year-old* enjoyed it most, and I thought he was right.

Arts news in brief . . .

Quintin Hoare has won the 1985 Scott Moncrieff Prize (£750) for the best translation *of a French book into English* for his translation of *War Diaries: Notebooks from a Phoncy War* by Jean Paul Sartre, published by Verso.

A second prize was awarded to Barbara Wright for her translation of *Childhood* by Nathalie Sarraute, published by John Calder.

★

*The National Theatre's pro*menade productions of *The Nativity, The Passion,* and *Doomsday,* collectively called *The Mysteries,* first seen in the Cottesloe and then transferred to the Lyceum this summer, will be shown on Channel 4 Television on December 22, 29 and January 5.

★

The Arts Council is presenting an exhibition of a leading German stage designer's work, *Caspar Neher: Brecht's Designer* at the Riverside Studios from January 15 to February 16. The show will then visit Manchester, Sheffield and Plymouth.

Caspar Neher (1897-1962) made thousands of designs for 550 different productions, including Glyndebourne, Covent Garden and the Metropolitan Opera House, New York, but this show will concentrate on *his work with Brecht,* comprising over 150 drawings for some two dozen of Brecht's plays. Through stage photographs, projections and sound recordings the exhibition will show how these were developed into actual sets.

★

Placido Domingo will sing two gala performances at the *Wembley Conference Centre on* December 21 and 22.

Part of the proceeds from the concerts will be donated to the Domingo Fund for Mexico.

Giselle/Covent Garden

Clement Crisp

No one need be in any doubt that the Thuringian hills are full of the sound of tree-felling in the Royal Ballet's new *Giselle.* John Macfarlane's designs are massively wooded. In the first act Berthe's cottage is determinedly timbered, and piled outside with kindling. Facing it is the more modest structure where Albrecht has made his home, no less twiggy —it is reminiscent of the residence of one of the three little pigs who made his house of sticks—and a forest soars behind.

The second act takes place amid the towering trunks and roots of fallen trees. The effect is remarkable in both acts, happier in the second, where mystery and night dancing find a haunted setting, but with a generous area always reserved for the action. If not the conventionally Romantic image for this most romantic of ballets, *Mr Macfarlane's decors* yet suggest a world where rustic legend and the supernatural can convincingly be located.

The staging is by Peter Wright, and it is a development of his earlier productions, retaining the best effects from these, and exposing certain dramatic strands to give greater logic to incident. The Duke of Courland continues the hunt while Bathilde rests in Berthe's cottage: Albrecht, ringed by the vengeful Wilis in the forest, is marked down as their *prey, his line of dancing ever* blocked by the wraiths so that his plight is sharply accentuated.

For an opera house stage and opera house forces, the narrative has been somewhat decorated with incidentals; in this it is in marked contrast to the Kirov presentation, which reduced extraneous matter to a minimum, thereby bringing the central crisis into sharpest focus. Thus Mr Wright retains his peasant sextet (with its girl's solo owed to Sir Frederick Ashton), restores Berthe's warning mime as it was handed down by Karsavina in 1960, and gives Albrecht a crucifix in Act 2 with which he can first repel Myrtha's powers.

These matters apart, the staging — especially in the second act—gives the drama its head, and its Romantic inevitability. What was lacking at the *first showing on Thursday* was something implicit in the dedication of the evening to Dame Alicia Markova, in celebration of her 75th birthday yesterday. It was, of course, what Markova provided at every one of her performances: a stellar presence, a central truth, both emotional and technical, which helped us understand what this "holy ballet" — Karsavina's words — must mean in the theatre as a commentary upon dancing and upon the historic traditions of the art.

Lesley Collier gives a scrupulous performance as Giselle, moving from initial vivacity through madness to grieving compassion as the Wili. It is an assured reading, with sterling emotional and dramatic support from Stephen Jefferies as Albrecht. But at no point did I sense those larger implications of their roles or of the characters. The divine fire—Markova's, Ulanova's, Chauvirés, Makarova's—did not flame at the ballet's heart, to tell us why this masterpiece should still grip the imagination.

The company dancing, especially from the Wilis, was sound; the lighting by Jennifer Tipton excellent; the orchestral playing variable, and downright odd *for a couple of bars as dawn* broke. Mr Macfarlane's costuming is sober in tone, though the court hunting party is rich in over-stuffed clothing, smirks and that generalised Mummerset miming which comes with velvet cloaks, mad hats and handbags for some of the men.

Opera North's winter season

Puccini's *The Girl of the Golden West* will open Opera North's winter season in Leeds on December 19 in a David Pountney production, conducted by *David Lloyd-Jones* with Mary Jane Johnson, John Treleaven, Malcolm Donnelly and Keith Latham leading the cast.

This will be followed by another David Pountney production, Rimsky-Korsakov's *The Golden Cockerel*, with Elizabeth Gale, Bronwen Mills and Thomas Lawlor in the cast.

The company is then reviving its latest production of *La Traviata* for a limited number of performances, with Helen Field and Natalia Rom sharing the role of Violetta.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Nov 29–Dec 5

Music

LONDON

Philharmonia Orchestra, conducted by Giuseppe Sinopoli, with Lynn Harrell, cello. Elgar. Royal Festival Hall (Wed).

London Symphony Orchestra, conducted by Brian Wright, with Manoug Parikian, violin. Weber, Vaughan Williams, Bruch and Beethoven. Barbican Hall (Wed).

Royal Philharmonic Orchestra, conducted by Antal Dorati, with Vladimir Ashkenazy, piano. Beethoven. Royal Festival Hall (Thur).

London Sinfonietta, conducted by Witold Lutoslawski. Queen Elizabeth Hall (Thur).

BBC Symphony Orchestra, conducted by Elgar Howarth and Bernard Rands, with Peter Donohoe, piano. Ligetti, York Holler, Bernard Rands and Ravel. Royal Festival Hall (Tue).

Haydn Trio of Vienna: Shostakovich, Beethoven and Mendelssohn. Queen Elizabeth Hall (Tue).

WEST GERMANY

Frankfurt, Alte Oper: Maurice André, trumpet; Hedwig Bilgram, organ. Stölzel, Bach, Veracini, Händel and Marcello (Tue); *Vladimir Ashkenazy*, piano. Beethoven and Schubert (Wed).

PARIS

Munich Philharmonic Orchestra, conducted by Sergiu Celibidache. Bruckner's Symphony No 5 (Thur). Salle Pleyel (4561 0630).

Alfred Brendel, piano. Haydn, Mozart, Beethoven, Schubert (Tue). Salle Pleyel (4563 8873).

Ensemble Orchéstral de Paris, Leslie Wright, piano; Philip Bride, violin; Paul Boufil, cello. Schubert and Brahms Trios (Tue). Salle Gaveau (4563 2030).

ITALY

Rome: Oratorio del Gonfalone: Vicolo della Scimia 1/b (Via Giulia): David Short, trumpet; Giorgio Cerasoli, organ. Boyce, Purcell, Händel, Bach and Scarlatti. (Thur). (65 59 52).

SPAIN

Madrid, Homage to Vincenzo Bellini, Soprano Gladys de Ballida; accompanied by Michael Wladkawski, piano (Mon); José Rada, Harpsichord; Nuria Llopis, baroque harp; Maria del Mar Fernandez, soprano. (Wed). Paseo de la Castellana 33. (419 85 50).

Madrid, Spanish Chamber Orchestra, conducted by Jesus Lopez Cobos. Teatro Real, Plaza de Oriente 4. (241 97 39). (Tue).

Madrid, The Basque Government has *sponsored* Scarlatti's unpublished Mass For Four Voices found in Aranzazu monastery in Guipuzcoa. Jose Rada, expert on baroque music, directs in the marvelous setting of Convento de la Encarnacion. Plaza de la Encarnacion (Mon, Tue).

VIENNA

Arnold Schoenberg Choir, conducted by Erwin Ortner. Bach, Funkhau. Grosser Sendensaal (6595/881). (Thur).

Jean-Pierre Rampal, flute; John Steel Ritter, harpsichord and piano. Leclair, Telemann, Bach, Czerny, Bartók. Brahms Saal, Musikverein (Mon).

Chamber Orchestra of Europe, conducted by Murray Perahia, piano. J. C. Bach, Mozart, Beethoven, Konzerthaus. (Tue).

BRUSSELS

Palais des Beaux Arts: RTB Symphony Orchestra, conducted by Alfred Walter, with Bogdan Czapiewski, piano; and Patricia Atkins-Chiti, *soprano.* Dvořák, Shostakovitch, Bartók. (Thur). (512 5045).

NETHERLANDS

Rotterdam, De Doelen. Lunchtime organ recital by Arie Keijzer (Thur). Recital Hall: Monica Huggett, baroque violin. Bach (Mon). (14 29 11).

The Hague, Congresgebouw. The Netherlands Chamber Orchestra, conducted by Antoni Ros-Marba; with Istvan Parkanyi, violin; Herre-Jan Stegenga, cello; Alexander Warenberg, piano. Martinu, Strauss, Bethoven (Tue). (54 80 00).

Utrecht, Muziekcentrum Vredenburg. Lunchtime concert from Rosaline Piveteau, violin; Herre-Jan Stegenga, cello. Herman Uhlhorn, piano. Brahms (Wed). (31 45 44).

Eindhoven, Schouwburg. Students of the Maastricht Conservatory in an evening of opera, conducted by Jean-Philippe Rieu. Britten, De Falla (Mon). (11 11 22).

NEW YORK

New York Philharmonic (Avery Fisher Hall): Leonard Bernstein conducting: All-Mahler programme (Tue); Leonard Bernstein conducting; Harris, Schuman, Copland (Thur). Lincoln Center (874 2424).

WASHINGTON

National Symphony (Concert Hall): Mstislav Rostropovich conducting, with Choral Arts Society of Washington, directed by Norman Scribner: All-Penderecki programme (Mon, Thur). Kennedy Center (785 8110).

CHICAGO

Chicago Symphony (Orchestra Hall): Erich Leinsdorf conducting: Shostakovich, Ravel, Stravinsky (Thur). (435 8122).

TOKYO

Christmas Oratorio: Part of the German Music Festival commemorating the 300th anniversary of Bach. (Tue). (235 1661; 242 7711).

Annu Maeda, piano: Couperin, Ravel, *Mamiya.* Tino Hall, near Hibiya, Ginza and major hotels. (Mon). (461 2590).

Lee Kum Sing, piano: Bach, Schumann, Debussy, Chopin. Tokyo Bunka Kaikan Recital Hall. (Tue). (944 1583).

Thesuo Hosokawa, (piano): All-Chopin recital. Tino Hall, near Hibiya, Ginza and major hotels. (Tue). (571 1689).

Mozart Orchester of Salzburg, conductor Hans Graf. Eric Heidsieck, piano. Showa Women's College, Hitomi Memorial Hall, near Sangenjaya. (Thur). (486 0959).

Saleroom/Antony Thorncroft

Eyes on Chatsworth

The highlight of a hectic week in the London salerooms is undoubtedly Christie's auction on Thursday of 183 lots of Old Master prints from the Duke of Devonshire's collection at Chatsworth. A cautious estimate of "in excess of £1m" has been put on the sale but the total will be much higher.

A Rembrandt print of "Christ presented to the people" should make the highest price, probably in excess of £150,000. The Duke offered eight items outside the sale to the British Museum to avoid a repetition of the row over his disposal last year of Old Master drawings, which sold at Christie's for £21m after being offered to the BM for £5m.

But the British Museum, which has around 2m prints already, was not over-enthusiastic about the selection, or the price of £500,000, and will take one at the most. Of particular interest at the sale will be signs of buying by the Getty Trust.

Tonight at Christie's the best early work by Chagall to appear on the market for many years comes under the hammer. "La chambre jaune" painted in 1911, is expected easily to break the current auction record for Chagall of £315,000. A Fantin-Latour flower picture, which Christie's sold for 310 guineas in 1905, carries an estimate of £200,000-£250,000.

Also on Thursday at Christie's a bottle of 1787 Chateau Lafite, bought by Thomas Jefferson when he was American Ambassador in France, should sell for over £5,000. *The wine, the oldest* Lafite ever offered at auction, is expected to be drinkable.

The highlight at Sotheby's is the most comprehensive collection of Dada art to reach the saleroom, on Wednesday. The 260 items are forecast to make £1.5m. Among the more interesting items are a complete set of the "Ready-Mades" of Marcel Duchamp. These versions were actually made in 1964 to commemorate the 50th anniversary of their original production, but even so "Bicycle wheel" carries an estimate of £75,000-£120,000.

In the Impressionist and modern sale on Tuesday night a Signac "Brise, Concarneau-Presto," which belonged to the late Sir Charles Clore, should make the top price of around £500,000. A portrait by Picasso of his first wife, the Russian ballerina Olga Koklova, painted in 1918, is targeted at around £250,000. A Clore-owned Picasso, "La Lecture," of 1934 is also on offer, at around £350,000.

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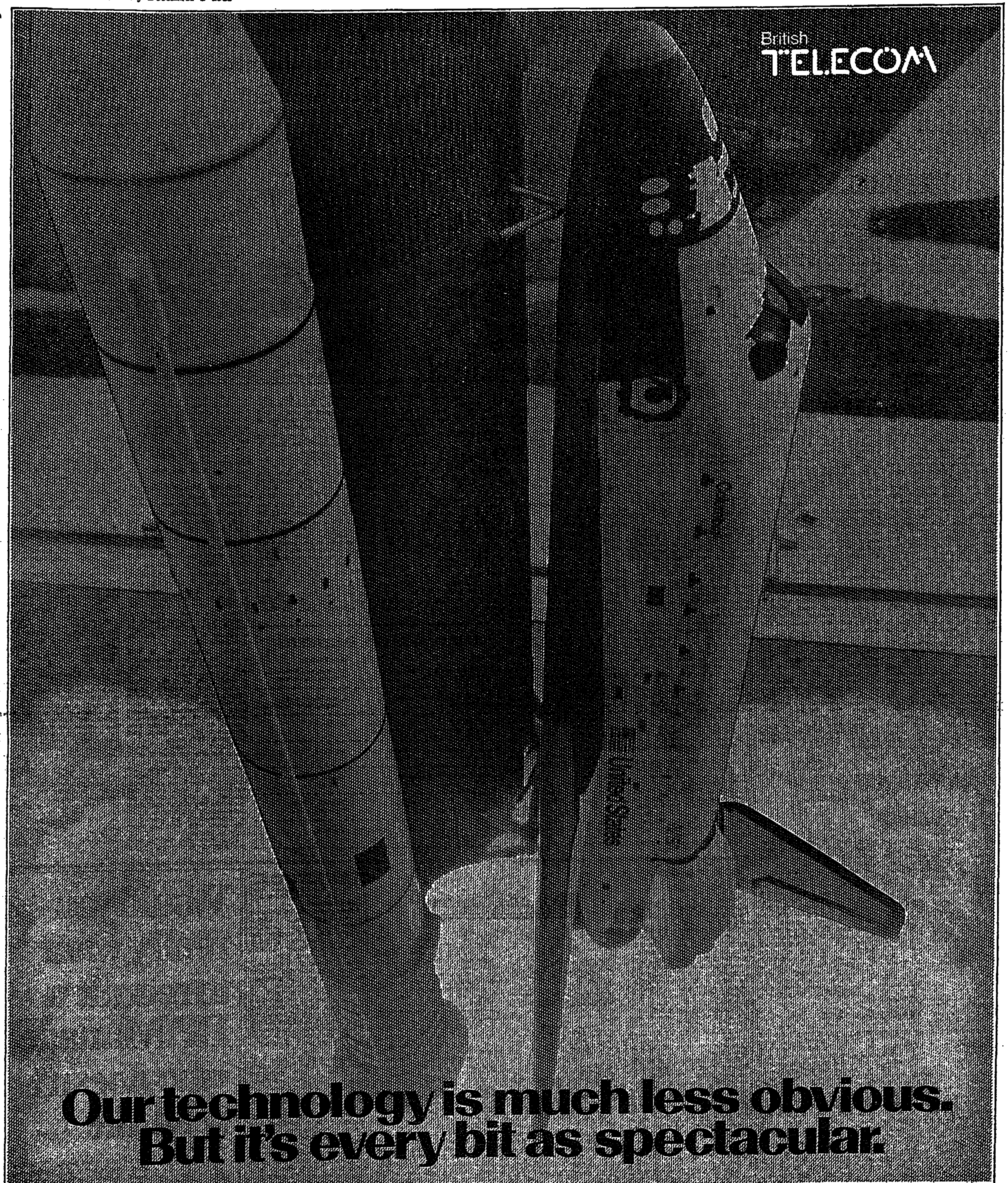

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Monday December 2 1985

Wrong way to privatise

THE GOVERNMENT'S plans for selling British Gas seem to be in serious danger of bringing a generally successful privatisation programme into disrepute.

A firm a judgment must wait until the details of British Gas's proposed licence become known in a week or two.

But last week's Gas Bill setting out the framework raises many disturbing questions, as much for its omissions as for what it includes.

The supervision of British Gas under state ownership has been unsatisfactory for several years. *Turning a public monopoly* into a profit-maximising private one could make matters very much worse.

The Government's proposals have four main defects: they provide little hope of more external competition: they suggest that the powers of the independent regulator will be too restricted: they underplay the danger that British Gas might misuse its monopoly strength in any battle with North Sea competitors; and they neglect the possible conflicts between a private gas company and nationalised electricity and coal.

On the competition issue, ministers should quickly sink their differences and agree to *lift the restrictions against* international free trade in North Sea gas. This makes the corporation a monopoly purchaser of North Sea gas, and would give disproportionate power to a private company. Gas purchase contracts could be used as a powerful lever in exploration contests, for example.

Regulation

The Department of Energy's wish to retain its powers to *intervene in the North Sea is* inconsistent with the stated aim of privatisation—namely to replace political interference by the forces of competition.

Even with free trade in North Sea gas, there is a good case for granting the new regulatory body, Ofgas, some general oversight to prevent discriminatory pricing: but the Bill excludes it totally from this area.

In the British market, it seems that Ofgas will set prices *only for domestic users, acting* merely as a court of appeal for industrial consumers.

However, many industrial gas users could not easily switch to alternative fuels and some not at all. The Bill seems to impose no obligation on the regulator to ensure fair play for these captive customers by, for example, forcing British Gas to publish prices.

The procedure for appeals via the Office of Fair Trading and the Monopolies Commission look cumbersome and the provision for the commission to sharpen up British Gas's licence has been absurdly restricted to its activities in the domestic market. The regulator has no general duty to promote competition and no general power to insist on energy conservation measures.

Restricted

In several of these respects *the bill gives Ofgas significantly* less clout than is accorded to Oftel in the telecommunications industry and its budget is planned to be smaller. Moreover, it is unclear whether British Gas will be required to separate its monopoly profits in the UK from its earnings as a North Sea exploration and production company.

The details of British Gas's licence may clarify some of these doubts or reveal second thoughts but in general the *regulator's task seems to be too* much restricted to the parts of the business which competition cannot reach. Monopoly abuse could appear in any other sector where British Gas has been historically protected.

If regulation is considered better than political interference, there is no reason why the same body should not oversee nationalised electricity as well as private sector was but it would need much tougher and more carefully articulated *poyers than are promised in the* present bill.

In other privatisations, especially British Telecom, and the planned sale of British Airways, the Government has found it hard to reconcile two potentially conflicting objectives — a successful flotation and the promotion of competition. With British Gas, ministers show every sign of getting the balance badly wrong, putting short-term political gain above the long-*term interests of consumers. It* is not too late for the proposals to be re-thought.

Aid without Unesco

THE British Government is due to decide this week whether to rescind or implement its decision to withdraw from Unesco, the United Nations Educational, Scientific and Cultural Organisation, at the end of this year.

Under Unesco rules any country contemplating withdrawal must give notice one year in advance. That gives the member state a 12 month period in which to reconsider: it can rescind at the very last minute. The United States gave notice of withdrawal at the end of 1983 and put the decision into effect at the end of 1984 Britain gave notice in December last year, but with the proviso that if the organisation were sufficiently reformed in the meantime, the Government would think again.

In retrospect, it can be seen that that time-table was too short. It was never going to be possible to turn Unesco round within 12 months. The organisation works on a two year cycle holding biennial general conferences at which the key decisions are made. The last one took place in Bulgaria in the autumn: there will not be another until 1987.

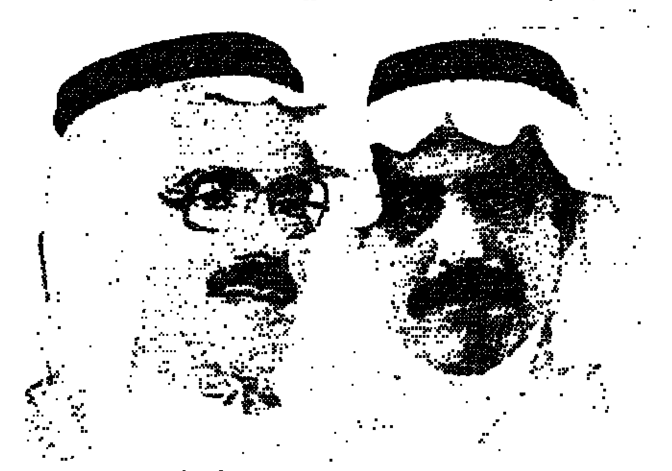
Some of the British demands, and they are by no means confined to the British, were at least partially met in Sofia. There is to be no real increase in Unesco's budget, though that can be partly explained by the US withdrawal. The Americans used to contribute about 25 per cent of the funds. Unesco is no longer pressing, though it has not formally abandoned, some of its more contentious programmes: for example, the campaign for a new world information and communications order which could have serious effects on the freedom of the media. It has become less political: there is to be more emphasis on the rights of individuals rather than people's rights, which tend to mean states' rights. Unesco programmes will be more open to evaluation, though very little of the evaluation will come from outside independent sources.

The argument now is about whether Britain, having achieved something, should stay in and fight for more at the next general conference, by *which time Mr Amadou-Mahtar* M'Bow, the Director General who is the butt of much of the criticism, may well be on the way out. The British National Commission for Unesco, which advises the Goverment on the matter, came down almost unanimously last Friday in favour of retaining membership. Mr Edward Heath, the former Prime Minister, was even more forthright when he told the House of Commons on November 22 tha withdrawal *would be typical of* "the growth of a nasty, narrow-minded nationalism, which believes that we can survive without the rest of the world." Yet it looks as if the Government is nevertheless determined to lave.

Bureaucracy

The question is not nearly as important as it sounds and certainly does not merit a major rift between the Government and the academic community and those who automatically see virtue in anything labelled "international." Unesco was a noble aim at the start. The idea of a kind of international academy of all the sciences and humanities capable of discuss*ing, and even implementing,* public policies on education, science and culture has its attractions even now. Yet Unesco has not developed like that. It has become a bureaucracy which spends some 75 per cent of its funds at its home base in Paris rather than in the field. It has become too interested in politics and propaganda, like peace studies. Education, science and culture can thrive without it, and on an an international basis.

The money is a small matter. The Unesco budget next year will be about $200m. Britain's contribution, if the Government decides to stay in, will be just under $9m or £6.4m at *the current rate* of exchange. No-one would go to the stake for that in terms of government spending. What does matter is that if withdrawal is the British choice, the money saved should stay in the aid *budget. The British Council* could use it effectively. It is incumbent on the Government to say that, while withdrawing from Unesco, overseas aid is at least as important as it was before.



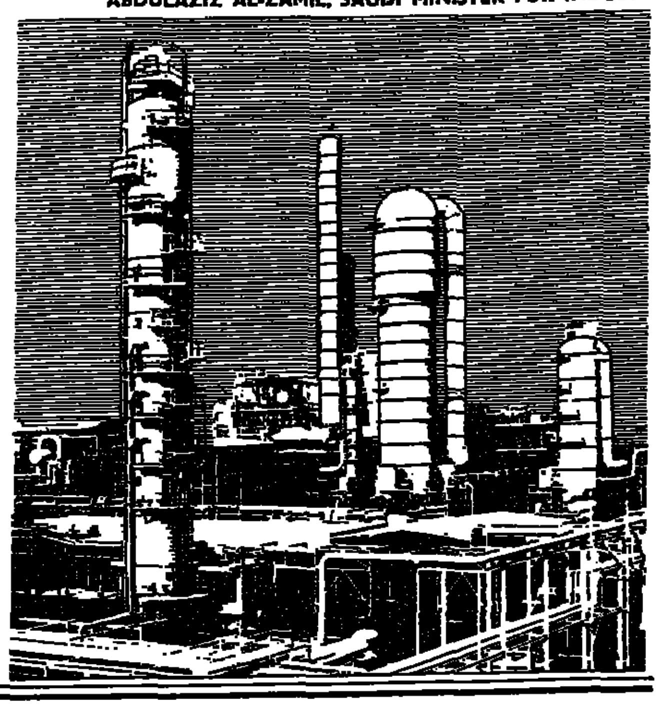
Ibrahim Salamah (left) and Abdulaziz Al-Zamil

Sabic and Europe

When the chemistry is wrong

by Tony Jackson

> "We let 55 per cent of European products into Saudi Arabia duty free ... we are entitled to ask you for the same treatment"
>
> ABDULAZIZ AL-ZAMIL, SAUDI MINISTER FOR INDUSTRY



THERE is a small cloud over trade relations between Europe and Saudi Arabia. Unless carefully watched, it could turn to rain. For Europe, the issue is minor *—the tariffs which the EEC has* imposed on petrochemical imports from the Kingdom. For Saudi Arabia the issue runs much deeper, and has been raised into a point of principle.

The new Saudi chemical *plants at the centre of the argu*ment represent $12bn of investment. They also represent the culmination of the country's third five-year plan, a massive project designed to lessen Saudi dependence on crude oil and *develop* added value within the country's borders.

For European chemical producers the new plants are a direct threat. In particular, Saudi access to feedstock raw materials much below the European price has caused fears of dumping on a European market already burdened with severe overcapacity. For Saudi Arabia, now looking ahead to its fourth plan and the formation of further export-oriented industries downstream, free access to Europe is seen as a test case for future development.

European companies are genuinely puzzled by the Saudi reaction. The tariff mechanism was in place long before Saudi chemical production was even thought of. It is now being applied in the normal way. Why should Saudi Arabia be treated differently?

"Because we treat others differently," says Abdulaziz Al-Zamil, Saudi Minister for Industry. "Countries like Brazil, Korea or Taiwan are liable to ban products from Europe, or impose quotas, or put on tariffs of 60 per cent. We let 55 per cent of European products into Saudi Arabia duty free, including £200m worth of *the same petrochemicals as we* produce here. We are entitled to ask you for the same treatment, not a tariff of 14 per cent."

The issue is broadened by Prince Abdullah bin Faisal bin Turki, acting head of the Royal Commission, for Jubail and Yanbu, the body responsible for the infrastructure of the industrial cities. "A lot of people here saw the West as economic partners," he says. "When they wanted us to produce 11m barrels of crude a day, it was a sacrifice, but it was felt that the West would remember that we could lean on the West when times were bad. But short-term political expediency seems more important than long-term friendly relationships."

*Protection against Saudi pro*ducts is not confined to Europe. US tariffs are at a level equivalent to the EEC's and there are moves in Congress (as yet inconclusive) to raise them further. Nevertheless, it is Europe which is the main focus of Saudi pressure.

This is partly because Europe's closeness as a market makes it more important to the new plants' commercial success. There is also a subjective reason: in getting the whole vast project off the ground, Saudi Arabia owes a considerable debt of gratitude to the US, and little to Europe.

This has to do with the way the project was planned. The new plants are split among different companies, under the umbrella of the Saudi Arabian Basic Industries Corporation (Sabic). Almost all the companies are joint ventures, shared on a 50/50 basis with a partner from the developed world.

Abdulaziz Al-Zamil explains the logic. "For a project on this scale we needed at least five inputs to achieve results, and we lacked two. We had the finance, we had the raw materials, and we could build the infrastructure. What we lacked was technical know-how and marketing expertise, and the only way to get them was to invite partners in."

From 1979 on, Sabic went looking for those partners. A number of U.S. companies took up the offer, as did several Japanese consortia. European companies refused.

"They laughed at us," says Prince Abdullah. "They didn't believe we could build the plants, let alone make a success of them."

For Europe, the successful completion of the plants below budget and ahead of schedule was a correspondingly rude shock. That success in turn rested largely on help from the US, and to a lesser extent from Japan. The young Saudis who are now taking charge of the new plants were mostly educated at American universities and then had several years of on-the-job training from their joint venture partners.

Max Webb, the American head of the National Methanol Company (50 per cent owned by Sabic, the rest split equally between Celanese Corporation and Texas Eastern of the US) says: "We gave three years of one-on-one training in the US to 61 Saudi operatives. That came to slightly over $150,000 per head. It was a cost which we wouldn't have incurred in a US operation, where we can hire qualified people off the street."

Some of the training was remarkably specific. This year's start-up of the polyethylene plant run by another Sabic company, Kemya (50 per cent owned by the US oil company Exxon), was particularly trouble-free. Saudi trainees had been given hands-on experience in the start-up of an identical Exxon polyethylene plant at Mount Bellevue in Texas two *years before.*

The Saudi attitude is also coloured by the question of European overcapacity—anything up to 20 per cent in the chemicals and plastics which Sabic now produces. "Europe's disbelief in our plans," says one official, "misled companies who should have closed down outdated plant long before."

The Saudis point to the contrast with other countries. The Saudi Methanol Company is a joint venture with a Japanese consortium. *In* 1979 Japan had methanol capacity of almost 1m tonnes per year. That has now been cut back to 200,000 tonnes, with around 300,000 tonnes being supplied to Japan from Saudi Arabia.

"The Japanese have done a real fine job," says Bill Carpenter, head of the ethylene producer Sadaf (50 per cent owned by Shell US). "Rather than importing raw materials, they prefer to bring the stuff *in with* a lot of the energy content already in there. But the Europeans seem to want to stick with what they have."

But North Sea oil production makes the European position somewhat different from the Japanese. In addition the unexpected weakness of the oil price has left the US and Japanese partners expressing disappointment with the financial return on their investment.

At the time when Sabic was searching for partners — in the period 1979-81 — the world was suffering from the second oil shock, and the price of crude was expected to go through the ceiling. Part of the deal offered by Sabic to prospective partners was "incentive crude" — a guaranteed supply of oil at a price which was, at least initially, fixed.

Instead, the oil price has fallen sharply. Chuchi Raito, the Japanese head of Saudi Methanol, says "it has turned out to be a disincentive. Our Japanese consortium takes 2m barrels of "incentive" crude a year, so if the spot price drops below the fixed price by $3, we carry a loss of $6m. The business is profitable and paying dividends, but Mitsubishi (the *consortium* leader) is disappointed with the results to date."

Although Europe's chemical companies kept clear of that problem, they are correspondingly without control over new Saudi output. At present, 80 per cent of it is marketed not by Sabic, but by the joint venture partners — old and experienced competitors such as Exxon, Mobil and Celanese.

The question which exercises the minds of Europe's producers is price. The Saudi plants have an unbeatable edge on raw material costs: the ethane gas used as the chief feedstock is made available to Sabic for 50c per mbtu—around a quarter of the price paid in developed countries.

Sabic insists that it will market its products responsibly, and observe prevailing prices. The Europeans do not believe a word of it, even though the evidence so far seems to be on Sabic's side. This might be seen as evidence of Europe once more underestimating Saudi acumen, were it not for one central difference in the cost structures of the Saudi and European industries.

Ibrahim Salamah, Sabic's managing director, says "though our total costs compared to European manufacturers are not very different, Europe's variable costs—fuels and feedstock—are as high as 70 per *cent of the total. With us, it's* the other way round. Our fixed costs—plant, equipment, infrastructure—make up around 70 per cent, with variable costs only 30 per cent."

It follows that for Europe, the highest return on invest*ment depends* above all on getting the highest price for the product, even at the expense of some underutilisation of plant capacity. For the Saudis, the opposite is the case: as Ibrahim Salamah puts it, "we are determined to run at full capacity whatever the market."

Initial negotiations on the whole tariff issue took place in Luxembourg last month between the EEC and the Gulf Cooperation Council (GCC). Although the outcome remains uncertain, Abdulaziz Al-Zamil professes optimism.

"The EEC is still putting tariffs on our methanol, and lately on our polyethylene," he *says.* "*They* tell us that tariffs have to stay until the start of next year, but we are hopeful that they will remove them in January. They certainly should if they listen to other sectors of European industry: *industrial* sectors like plastics processing, which really employ people, have been affected for the benefit of chemical producers which are low employers."

In the forefront of the Industry Minister's mind is the next stage of industrialisation. "The joint venture approach remains essential. We have made clear to our European colleagues that Saudi Arabia does not want to continue just as an importer of European *products—a good proportion* should be manufactured in GCC countries. It's really the same as Europe saying to Japan 'you can't go on damaging our industry by merely importing'."

The comparison with Japan *is revealing,* and comes up again in Al-Zamil's plea for equal treatment over tariffs: "that is how matters are done between industrialised countries such as Japan and the US." Europe, it is evidently felt, still sees the Kingdom as just another developing country.

"If any advantage has come from the difference of opinion over petrochemicals," Al-Zamil says, "it has been in bringing to the fore the lack of communication in the past between two very *important trading* partners. There had been intensive talks in the past with Japan and the US, but in the case of Europe the relationship had apparently been taken for granted."

Previous suggestions of tariff retaliation by Saudi Arabia are now played down. "We don't like the tit-for-tat approach," Al-Zamil says. "The principle is that we want fair treatment, and there are many ways of making that position felt. But *certainly the treatment of Saudi* products creates a negative image here, and will have a continuous impact on trade relations."

There is a further conciliatory note from Ibrahim Salamah of Sabic. "*The European chemical industry is* now in the process of rationalisation. That isn't a question of shrinking, just moving to more specialised products. If European companies want a supply of commodity chemicals in future, they shouldn't wait for the need to arise. This is a good time to build a relationship."

Whether European producers are prepared politely to vacate the commodity chemicals business is another matter. But *there is plainly much scope* for each side understanding the other's position. As Abdulaziz Al-Zamil tersely puts it, when asked how close the two sides are on tariff agreement, "5,000 km, and six hours by air."

SABIC AND ITS PARTNERS

Company	Partner	Main Products
Saudi Petrochemical Co. (Sadaf)	Shell US	Ethylene, ethylene dichloride, styrene
Al-Jubail Petrochemical Co. (Kemya)	Exxon	Linear low density polyethylene (LLDPE)
Saudi Methanol Co. (Ar-Razi)	Mitsubishi Gas and others	Methanol
Naational Methanol Co. (Ibn-Sina)	Celanese, Texas Eastern	Methanol
Eastern Petrochemical Co. (Sharq)	Mitsubishi and others	LLDPE, ethylene glycol
Saudi Yanbu Petr. Co. (Yanpet)	Mobil	Ethylene, ethylene glycol, LLDPE
Arabian Petrochem. Co. (Petrokemya)	None (previously Dow)	Ethylene

Men and Matters

Nuclear shots in the locker

A canon big enough to fire a light-aircraft engine is being built in Winfrith Heath, Dorset, at a cost of £1.75m.

The cost is being shared by the nuclear industry which wants to satisfy its critics that reactors and other nuclear paraphernalia can withstand something like a Cessna's engine dropping out of the sky on them, says Peter Gratton, head of safety and engineering science at the Atomic Energy Establishment, Winfrith.

The gun will use compressed air to expel real pieces of engineering up to 10 metres long —a turbine shaft, for example —from a barrel two metres in diameter, at speeds up to 100 mph.

The Germans gave a big fillip to "impact testing" of nuclear plant in the 1970s because of the number of Starfighters falling out of their skies. British and German nuclear safety teams worked closely together; with the *British concentrating on scale-*model testing and the underlying science.

British researchers "were able to show convincingly our predictive capability for this kind of event," claims Gratton.

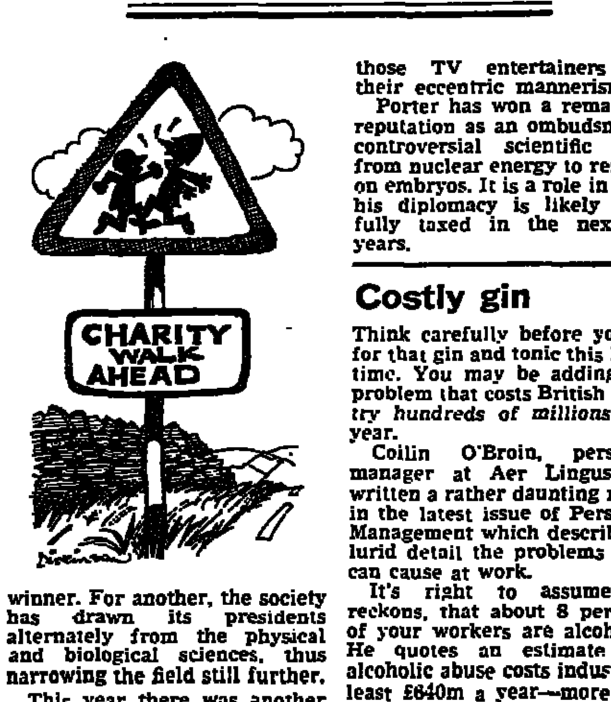
But, as with the great train crash of 1984 when the CEGB spent £4m staging a full-scale crash of a nucular fuel transport flask at 100 mph, critics persist in demands for demonstrations of the "real thing."

There will, no doubt, be calls for a public firing of the Winfrith cannon when it is finished, some time in 1987.

High society

The Royal Society used to try to keep the name of its new president—elected every five years—a closely-guarded secret until he had been elected by council on St Andrew's Day, in accordance with its 325-year-*old tradition.*

But the secret always leaked out. The short list for the coveted letters PRS was always very short indeed. For one thing, the president-nominee has usually been a Nobel prize-winner. For another, the society has drawn its presidents alternately from the physical and biological sciences, thus narrowing the field still further.



This year there was another problem. The president-nominate, Sir George Porter, had to be replaced as director of the Royal Institution.

This is the small but important laboratory in London's Mayfair which features in the BBC's Christmas science lectures, where Porter has charmingly presided for 19 years, since shortly before he won his Nobel for photochemistry in 1967.

So Porter's nomination for the post that carries more prestige than any other in British science was disclosed last summer—and his successor at the Royal Institution, Prof John Thomas, of Cambridge, has already been named.

Porter, 64, and a Fellow for 25 years, was duly elected president of the Royal Society on Saturday. He is probably the best known scientist in Britain today, if one discounts those TV entertainers with their eccentric mannerisms.

Porter has won a remarkable reputation as an ombudsman in controversial scientific issues from nuclear energy to research on embryos. It is a role in which his diplomacy is likely to be fully taxed in the next five years.

Costly gin

Think carefully before you ask for that gin and tonic this lunchtime. You may be adding to a problem that costs British indus*try hundreds of millions each* year.

Coilin O'Broin, personnel manager at Aer Lingus, has written a rather daunting report in the latest issue of Personnel Management which describes in lurid detail the problems drink can cause at work.

It's right to assume, he reckons, that about 8 per cent of your workers are alcoholics. He quotes an estimate that alcoholic abuse costs industry at least £640m a year—more than £1.5m a day—in sickness absence alone.

"Alcoholism is no respecter of class, background or job categories," he writes, though he reckons it affects some people more than others—journalists, for example.

Mr O'Broin writes that there is one remedy, tried and tested in the United States—employee assistance programmes. They help workers recognise their addiction and get professional help.

Aer Lingus has had such a programme for five years—a reassuring thought when you next fly across the Irish channel.

Into place

The newly-formed alliances of City banks and brokers are now beginning to gather their forces together for the "big bang."

Barclays Merchant Bank recently marched its men down to Ebbgate House by the river where it will be joined next year by de Zoete & Bevan and *Wedd Durlacher.*

Another army-like manoeuvre this weekend brought Capel-Cure Myers' and Grindlay Brandt's 400 staff under one roof in Holborn's Citycape House (though there will still be a wall between them).

The logistics of the move—another step towards raising the standard of ANZ merchant bank next year—have been planned over the past 18 months. Brokers Capel-Cure Myers only had to shift two doors *down the street—same* phone number, same postal code —but Grindlays' investment banking division had a much longer trek from Fenchurch Street.

Operations at the new joint headquarters are being transferred to a new computer system (IBM's CCF)—perhaps the biggest headache since the switch from Centreline could only be done at the end of an account.

A new telecommunications *system has been installed, and* staff retrained to cope with its flashing colour-coded lights and arrays of buttons and knobs.

The surrounding decor is pretty snazzy, too. But chief executive, David Poole, was heard to mutter: "I don't give a damn what the furniture looks like as long as the telephones work."

Trouble shooter

From a front-man for the Reagan "star wars" research programme comes this tale of a leading US physicist who has been annoying the administration by his public declarations that the programme will never work.

Three men face decapitation by guillotine: the critic among them. But the guillotine blade fails to fall in the case of the first two. As is the custom they walk away free.

The physicist places his neck on the block, twists his head round to look up at the knife, and cries: "I see what's wrong."

Observer

FOREIGN AFFAIRS

Please, mind the crockery

By Ian Davidson

ONE of the features of newspaper reporting is that the bad news often seems to drown out the good; the European Community, for example, must seem to most people a remarkably *quarrelsome enterprise*, because reporting on negotiations in Brussels always tends to emphasise the process of disagreement between the member states. This is understandable, because the disagreements are often prolonged (sometimes they seem interminable), whereas agreement only comes once, at *the very end. But the* result is that the good news may be too little noticed.

This *may seem a positively* foolhardy introduction to a piece about the European Community summit which opens in *Luxembourg* today. For months the newspapers have been full of reports about the wide differences between the member states over whether the Community should be reformed, and if so how. These differences *are far from being settled.* Nevertheless, there are some plus points to be chalked up before the summit opens—especially since there is a risk that they could be forgotten in one of those blazing rows for *which the Community has* become notorious.

The first plus point is that the *Luxembourg Presidency* seems to have manoeuvred rather adroitly towards a package of reform proposals which sits somewhere in the middle ground. Not very exciting and radical, perhaps, but not *too cowardly* and minimalist, either. If an agreement can be negotiated, it will probably look something like the Luxembourg proposals. There would be some amendments to the Rome Treaty to introduce a bit more majority voting where unanimity is now required, but these changes would not be very far-reaching; there would be some increase in the role of the European Parliament, as a participant in Community policy-making, but the Council of Ministers would still have the last word; there would be a more solemn commitment on *the co-ordination of the foreign* policies of the member states.

This is not to say that the *package can be agreed. At one* extreme, the Danes are still formally committed to resist any changes in the treaty; at the other, the maximalists like Italy and Belgium want more radical reforms, notably in a bigger increase in the powers of the European Parliament.

Nevertheless—and this is the second *plus point*—the three biggest countries in the Community (France, Germany and Britain) are implicitly lined up on positions which are reasonably close both to each other and to the Luxembourg proposals. In June the French and the Germans voted with the Italians and against the British in *favour of this conference on* Community reform. It might have been thought, and it long appeared possible, that in the conference itself the French and the Germans might adopt a maximalist position; there was a clear danger of an ideological split between the original Six and Britain. But in the end France and Germany *have both opted for caution.*

As President Mitterrand said a fortnight ago, after a meeting with Mrs Thatcher: "Our two countries' attitudes are certainly not antinomic and are often complementary . . . We must move forward realistically, avoiding maximalist positions, and I think that in this respect today's talks have been most positive."

The significance of his remark should not be under-rated. *President Mitterrand may have* enjoyed Mrs Thatcher's rage at being outvoted in Milan five months ago, and he may still have deep reservations about her attitudes: "We don't necessarily have the same objectives —*at any rate that still remains* to be proved . . ." Yet at the end of the day, it is obvious that a reform of the Community's constitution can only be negotiated successfully on the basis of moderation and compromise. *Another grand coup de theatre* might be gratifying, but it would not correspond to what the majority of member states, including France, were really prepared to undertake, and it would not lead to anything *except a lot of broken crockery.* As a British official said to me shortly after the Milan debacle: "The trouble is, you can't get much good Sevres china these days."

Not long ago, and especially *after the Milan summit, there* was speculation that the Community's future would revolve around a revival of the old solidarity (if that was what it was . . .) between the original Six; they have a much longer common history than Britain and the other Johnny-come-Latelies, and at least they *started out with shared aspira*tions. If the Community was to have a fresh start, the Six would be at the core.

Recently, however, there has been more talk of a different notion, that the future develop*ment of the Community would* revolve round the triangular relationship between France, Germany and Britain. I am not sure how much substance there is in this idea: Euro-analysts are constantly toying with intriguing *new* theoretical constructs which come and go with the seasons. On the other hand, it is clear that the antithesis between these two concepts would carry major strategic implications.

If the objective is more economic integration and the British are deemed more trouble than they are worth — on agriculture, on the budget, on the European Monetary System—then the Six might be *a viable core group for pro*gress. But if the aim is a more broadly-based European integration, for political and strategic as well as for economic reasons, then it stands to reason that Britain is an essential partner.

The signs are that these broader political considerations *carry much more weight* with a majority of the member states than they used to, as a result of the bruising experiences of recent years: the early belligerent rhetoric of President Reagan, the Euro-missile crisis, the East-West frost, the pressures on defence spending, and the anxieties generated by President Reagan's Star Wars programme. *We can see the* European reaction in the revival of Western European Union, in the strengthening of the Independent European Programme Group in Nato, the increasingly overt French commitment to the defence of Europe, and now in the plan to strengthen European foreign policy co-ordination. And the fact that the French succeeded *in manoeuvring them*selves out of the joint European Fighter Aircraft project, can only have been a sobering setback for a country which has traditionally assumed that it could always count on the sub*missiveness of the Germans.*

The third plus point is that, while the British Government's formal position remains that it is opposed to any treaty changes, its real position is public scepticism combined with a private determination not to be marginalised. In the event, this has not been too difficult, since France and Germany have opted for a moderate stance. But the central fact is that, in negotiating terms the British *Government is sitting fairly* comfortably, thank you, and will almost certainly go along with treaty changes, provided they are not too radical.

This could prove to be extremely important in political and *symbolic* terms. *Treaty* changes would have to go through the House of Commons, and Mrs Thatcher would in effect have to defend, not merely the detailed changes, but the general thrust of Britain's *European commitment.*

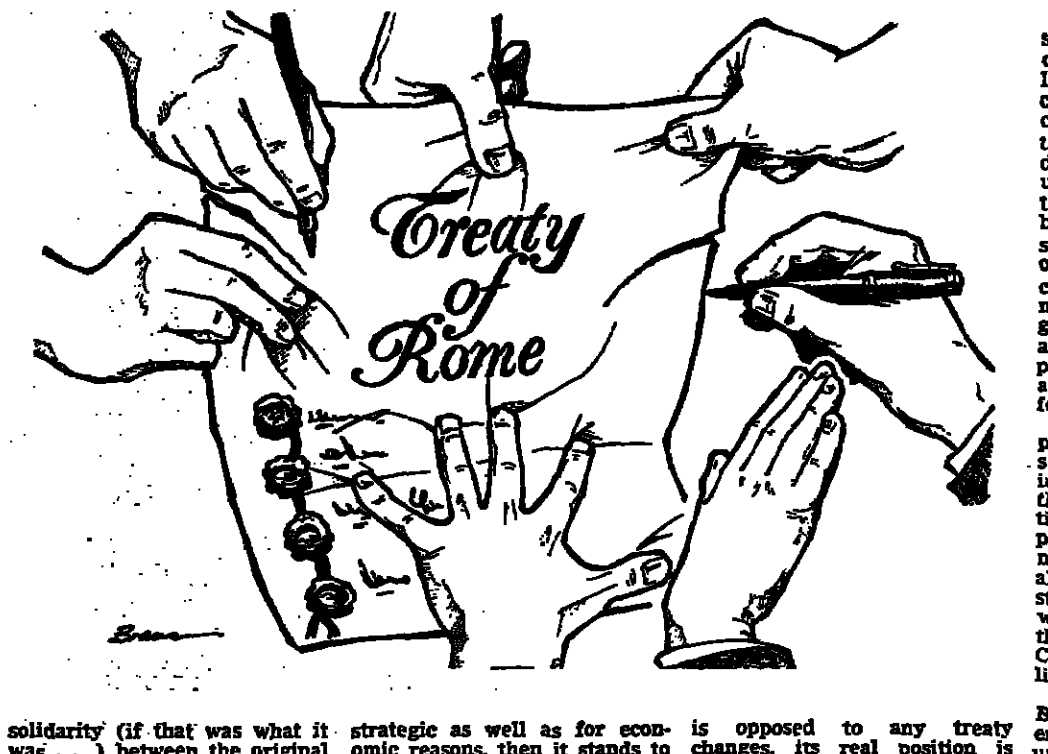
The fourth plus point is that the so-called Luxembourg Compromise—the idea that there may be a right of national veto when "very important" national interests are at staek—has been *left strictly on one side* throughout these negotiations. Some think that the right of national veto is still really available, if in shadowy form, because all governments want it as an ultimate security blanket.

My hunch is that it has been sidelined because it is too difficult. It cannot be given legal status, because there is no consensus for the idea; and it can scarcely be legitimised in *the same treaty as would intro*duce more majority voting. But unless it is given legal status, the real situation will remain as before: the other member states will decide whether to outvote a government that *claims a "very important"* national interest. Probably no government will renounce it as a theoretical option; but in practice it is likely to wither away as part of the ghostly folklore.

On the face of it, then, the prospects for today's summit should be reasonably encouraging. The heavyweights are in *the middle with moderate posi*tions; in the end the Danes will probably prefer not to be odd man out; and the Italians, for all their commitment to a much stronger European Parliament, will probably recognise that they cannot *shift* the rest of the Community to their side of the line.

The paradox is that some *British officials* were, at *the* end of last week, much more uneasy than the objective facts seemed to warrant. No doubt this has something to do with the fiasco at Milan; then they had been over-confident that the other member states would be sensible and fall in with Mrs Thatcher's pragmatism. They do not want to make the same mistake twice.

But there may be another factor. This conference is the first attempt to make significant changes in the Rome Treaty since it was signed nearly 30 years ago, and the debate has *barely concealed a deeper* argument about the long-term objectives of the Community. It is an emotionally charged question. To the Danes, any change may be an outrage; they signed what they signed, and *that's it. To the Italians, and to* Mr Jacques Delors of the Commission, this could be the last chance for another 30 years, so it is essential to make these changes worthwhile, and therefore radical. Neither *extreme position* is likely to carry the day. But the danger is that emotion will lead to heavy personal rhetoric, and that people who should know better will lose their cool — or, on the spur of the moment, kick over the traces.



Lombard

Problems facing 'New Right'

By Samuel Brittan

A NEW paperback entitled "The New Right Enlightenment" (*Economic and Literary* Books, £4.95) has an unusual cover consisting of pictures of each of the 20 young contributors. These are mostly very non-establishment faces which one would associate with the New Left of the 1960s.

They thus effectively make the point of the editor, Arthur *Seldon, that the radical and anti*-establishment forces are now by no means exclusively on the left—a point which many middle-aged opinion formers have still to take on board.

The one picture that does not *fit—of an elegant young man* sitting in a deckchair on a large lawn—is that of the book's Social Democrat.

Indeed many of the contributors take issue with the label "New Right." As Nigel Ashford *writes:* "To me, the Right is associated with hostility to social minorities, the enforcement of popular morality by the *state, capital punishment,* racism, support for South Africa and xenophobic nationalism."

As it is impossible to read 20 overlapping short essays consecutively, I should advise *the reader to sample* first the one by Chandran Kukathas, a Malaysian lecturer in political philosophy now at Oxford.

Kukathas shatters complacency in his first paragraph by pointing out that changes of policy, world-wide, in favour of slightly freer markets and less inflationary monetary policy have not come in response to a new *political philosophy, but* as a pragmatic reaction to the failure of earlier unreconstructed Keynesianism.

Secondly, he stresses that professedly market-oriented Conservative and Republican *governments* have *not* all been eager to move to *international* free trade. He cites the US and British support for steel quotas and restrictions on Third World imports.

Third, even in domestic matters free-market ideas are still opposed by most of the intellectual élite—witness, for instance, the fate of Sir Keith Joseph's proposals to make wealthier parents pay for a part of their children's university education.

Kukathas stresses the wide variety of moral outlooks behind the so-called New Right. But he *does find some common threads.* The biggest shock to middle-aged progressives is a favourable attitude to capitalism. But this is combined with a suspicion both of the actions of individual capitalists who will try to suppress competition and milk the taxpayer, and of the socially restrictive "Victorian values" on which some Tory upholders of capitalism lay so much stress.

Kukathas presents a picture of competitive markets very different from the establishment caricature. "Individuals *do not* always know what they want or where their interests lie. . . . Producers compete to *persuade* individuals of the *existence* of *new or different kinds of value.*" It could almost be Sir Huw Weldon speaking of BBC cultural policy, the crucial difference being that the consumer is the *eventual* arbiter.

The main point at which I *part company with this author* is his stigmatising of redistributive taxation as a breach of freedom. This presupposes the legitimacy of the existing distribution which some contributors to this book wrongly suppose has been established by the American philosopher Robert Nozick. It is this blind spot on redistribution (which does not mean equality) that understandably deters the Labour contributor, Peter Saunders, from placing his hopes in the radical right.

Neither the radical right nor the libertarian market left is an important group politically. Kukathas is a step ahead of his colleagues in realising that it is *not only governments that im*pede the open society, but also organised interest groups of all kinds.

The biggest mistake market liberals can make is to tie their hopes to that of any political party. "*For then the interests* of that party would prevail over the ideas it claims to espouse. If this were to happen, the danger would lie not in electoral defeat, but in securing false victory" — something *which happened to the* Thatcherites in 1983 and could easily happen again next time round.

Letters to the Editor

Competition rules

From Mr M. Hutchings

Sir,—I was interested to read Mr Hermann's article (November 14) concerning EEC competition rules. Mr Hermann asserts that "the real rules . . . *are not rules of law but rules* of bureaucratic and political expediency." This is often, sadly, true.

Legal advice in this area would be quite simple if the Commission applied the *competition rules* only where barriers to trade were genuinely created by commercial undertakings.

What frequently happens, however, is that a company is in danger of infringing the competition rules where its behaviour is not entirely voluntary, ie, where the market is distorted by Government inter*vention. To cite only* a few examples: minimum price controls (eg, in France), differing VAT rules (eg, cars in Denmark), artificial regimes for particular products (such as coffee and margarine), national rules on telecommunications, public procurement policies, reimbursement schemes for pharmaceuticals, differing national regimes for advertising (particularly on TV), etc. The list is almost endless.

The Commission, through the agency of DGIV (the competition department), is trying to perfect the internal market by using the *competition rules* to attack distortions of trade created by individual companies (whether privately or publicly owned). I believe *this is* an inept instrument to attack distortions which are so often created by national rules or regulations rather than by commercial decisions.

What I find rather strange is that *the Commission* has a powerful instrument at its disposal to attack distortions created by national laws but seems reluctant to use it. This power is specifically given to it in Articles 101 and 102 of the Treaty. *Although actively* used in the mid-1960s, these articles have been in abeyance *for the past 15 or so years.*

Is it not time the Commission used this simple and effective weapon to achieve many of the objectives outlined in Fontainebleau last year and encapsulated in the recent internal market white paper?

M. B. Hutchings,
Avenue des Arts, 44 bte 2,
1040 Brussels.

Government by exhortation

From Dr Frank Heller

Sir,—Some of the more serious mistakes made by *the* Government are based on a belief — unsupported by evidence — that *voluntary action* will solve most problems if backed by sufficient exhortation and PR.

Now, your industrial correspondent reports (November 26) *that the chairman of Man*power Services Commission accepts, what many of us forecast long ago, that the Government's hasty winding up of 16 statutory training boards in 1981 has led to a serious neglect *of training in many industries.* The Government also believes that drug abuse, energy saving and organisational participation can be adequately dealt with by advertising and persuasion. Research, however does not support this simplistic notion.

What is perfectly adequate for selling toothpaste and other consumer goods does not work in the areas I have mentioned. There are sound research based reasons for this, but who listens to research these days?

Dr Frank A. Heller.
(Director, Centre for Decision *Making Studies),*
Tavistock Centre,
Belsize Lane, NW3

Unfair to the bank

From Professor M. Cranston

Sir,—I think I was unfair to the National Westminster Bank in my letter (November 27) on high bank charges. The particular transfer was effected, on the instructions of the sender, by urgent Telex, which entailed unusual costs, and the National Westminster Bank itself deducted a fee of £8 on a transfer of $175, the remaining charges being imposed and received by the sender's bank.

(Professor) Maurice Cranston,
London School of Economics,
Houghton Street, WC2

Export credits guarantee

From Mr B. Strand

Sir,—The Minister for Trade has replied to me here following the publication of my letter (November 2) protesting at his decision to withdraw bank guarantee *support.* Regrettably the DTI response continues to ignore the central issues.

No information has been made public upon the "losses" except for the report in the FT last March. This stated the "losses" have been aggravated due to the bankruptcies and re-organisation of UK exporters and shipment failures of UK exporters and mainly third world importers! If this is true most of these *losses would be* chargeable to the credit insurance scheme and are not bank guarantee *losses* at all!

A loss under the scheme can only *arise if* the insured UK company goes into liquidation. What are the losses each year that relate solely to unrecovered claims against UK liquidators? Only with these facts can the viability of the scheme be determined. *Why is* there reluctance to provide this detailed information?

It is claimed that compared to the mid-1960s there are now adequate supplies of credit for short-term exports. Those of us working in industry then and now observe the only noticeable change in 20 years is while banks now provide medium term loans (5-10 years) it remains just as difficult to obtain overdraft borrowing for short-term working capital eg export receivables. The withdrawal of the export credit *guarantee department* bank guarantee weakens an exporters position, even if he is able to obtain additional overdraft as it increases his exposure to the bankers. Many will be unable to provide the additional asset *cover for this* problem and in consequence exports will be reduced.

ECGD has a statutory requirement to encourage exports. I believe this latest decision contradicts this duty for it will *discourage* exports and make it more difficult for a manufacturer such as my company to compete with the Japanese and Germans.

B. G. Strand.
Thomas Mercer Ltd.,
Eywood Rd,
St Albans, Herts.

More tax—less ill health

From Mr J. Tennent

Sir,—The Health Education Council and the British Medical Association (November 27) have launched yet another anti-smoking campaign. And we are told yet again, inter alia, that *smoking is the largest* single cause of preventable premature death.

Will this campaign be any more successful than earlier ones? Almost certainly, and regrettably, the answer will be "not very." Tangible Government backing is needed.

It would seem the reason that no Government to date *has* taken more action in this matter (eg banning all advertis*ing* and sponsorships) is because is cannot face up to doing without the tobacco duty yielded by smokers.

Therefore, is not the solution as simple as the effects of not finding one too appalling to *contemplate?*

I suggest that in his next Budget the Chancellor should try doubling the rate of tobacco duty. This would be with the twin objectives of (a) reducing by half the numbers, particularly children, who smoked (because they could no longer afford to do so), and (b) retaining for the Exchequer the same overall yield.

I accept that the arithmetic may not work out quite as simply as I have suggested, but one would expect the principle to be clearly evidenced, with up to half of those who were on course to *die from their* habit being saved. A future Chancellor could then repeat the formula and cut the death role by a further significant number.

J. M. Tennent.
4 Brendon Close,
Esher, Surrey.

Engineering skill shortages

From the Group Training Director,
Aylesbury Industrial Group Training Centre

Sir,—On November 26 you published a warning by Mr Bryan Nicholson, chairman of the Manpower Services Commission, and on November 27 the Engineering Industry Training Board warned of skill shortages.

In respect of the latter, the board itself can do a lot by looking at its exemption policy. There are many companies who should be training skilled people but are not even though they are holding exemption *certificates.*

In respect of the former, without bringing back further training boards the 1964 Training Act should be reimplemented giving statutory training boards strength to their elbows.

W. E. G. Woods,
Gatehouse Close,
Aylesbury, Bucks.

Tickets, please

From the Deputy Director,
London Chamber of Commerce and Industry

Sir,—This chamber welcomes the action (November 28) now taken to secure the extension of *the Docklands Light Railway.* We would, however, feel happier if there was some indication forthcoming that: while passing to private ownership the railway would be marketed and ticketed as an integral part of London's regional transport system; and that proper provision will be made for upgrading *the capacity of the railway* to enable it to service satisfactorily the "rush-hour" requirements of the Canary Wharf development.

David Senior.
69, Cannon St, EC4.

FINANCIAL TIMES
Monday December 2 1985

Terry Byland on Wall Street

Bulls face a dose of prudence

WALL STREET'S November bulls, after having it all their own way since the Dow Jones industrial average cleared the 1,400 level at the beginning of the month, may find December less certain a prospect. A number of analysts are beginning to sound a cautionary note and the *market has shown some signs of* instability.

The surge in stocks and bonds on Thanksgiving eve caught the professional market by surprise. No new factor could be suggested for the double-digit gain in the Dow. Friday brought a check that owed much to index-based selling, as the Standard & Poor's futures contract got ahead of the index itself.

Not that there are many "contrarians" in the market yet. The underlying reasons for the strength of the stock market – the drop in interest rates and the dollar, low inflation, and a level-pegging economy – remain in place. But those have been in place for some time.

The doubters merely suggest that it might be time to be prudent. Salomon Bros, commenting that a price-earnings ratio of 12 times projected 1986 earnings on the S&P 500 "adequately discounts fundamental prospects" for the economy and corporate earnings in the near term, counsels a "defensive posture."

Smith Barney, Harris Upham, drawing attention to 10-year highs for the market on stock price against book value, corporate earnings and sales, wonders how stocks can break through any further without "vigorous earnings growth."

The outlook for earnings growth has not changed much despite the recent upsurge in equities. Stocks in the overseas earners, such as Merck, IBM and Pfizer, have risen strongly, widely discounting the expected benefits of the fall in the dollar, which will boost their overseas sales. Financials have similarly discounted the benefits of the new round of falls in short-term interest rates.

But for the main-line US industrial stocks, analysts continue to forecast gains of under 10 per cent in corporate earnings for 1985. For a wider re-estimation of the profits outlook, Wall Street wants a clearer indication of progress in the domestic economy. Forecasts of a 10 to 16 per cent gain in S&P profits in 1986 have not been changed since midsummer.

On the broader front, the case for a pause for correction in the stock market has strengthened in the past fortnight. The greater part of the downturns in the dollar and US interest rates may be behind the market now.

The holiday in the credit markets, when political squabbles over the federal debt ceiling kept the US treasury away, is now over. Rates will find it harder to fall and analysts are divided over the chances of a cut in discount rate.

Salomon translates its "defensive posture" into a recommendation that investors should be keeping their cash balances relatively high at 20 per cent and restraining investment in stocks that have outrun the market since the rally began.

That criterion would downgrade Aetna Life & Casualty, which, with other insurance stocks, has been rising sharply as lower interest rates have coincided with the improvement in the outlook for the industry.

Bank stocks, too, have been less prominent as Wall Street has heeded the Fed's warning that banks experiencing financial strains should reduce dividends, or even omit them. Bank stocks have had a very good run and investors may choose to take profits rather than wait for the dividend payment.

It also casts a cloud over some of the pharmaceuticals issues that were beginning to trade wildly last week. Stocks in Merck and Pfizer are respectively 20 per cent and 15 per cent ahead since October 1, against 10 per cent in the Dow.

The case for a correction in the market seemed to be gathering support last week. But any such correction is unlikely to be severe unless the economy turns visibly downward, in which case Wall Street would look for an early cut in discount rate.

For those who relish the smell of brimstone, there is a much more bearish scenario abroad in the land. In his weekly investment letter, Mr Eliot Janeway warns that the problems of the US farm belt are worsening, raising the spectre of a serious collapse in small-town banks and in property.

Mr Janeway has evidence of widespread mortgage foreclosures in the farm belt and of a "mountainous" build-up in inventories on the used-car lots.

"The stock market has charged into a deadly trap," is his parting thrust. Now that would indeed require a correction in stock prices – and just in time for Christmas.

LITTLE HOPE OF SPEEDY END TO CRISIS

Tin Council talks to re-open

BY ANDREW GOWERS IN LONDON

THE International Tin Council (ITC) reconvenes its emergency meeting in London today with little sign that its member-governments have made much progress in tackling the crisis that has crippled tin trading for more than five weeks.

Few people involved believe a rapid solution will be found.

The 22-member ITC, which is supposed to operate a price-support scheme for the metal, last met on November 21 and pledged then that it would sit in session from today until a "definitive decision" had been reached on whether to honour the council's debts, amounting to hundreds of millions of pounds.

In the intervening days, officials from the 10 EEC states – key consuming members of the council – have met repeatedly in Brussels to try to formulate a joint stance on the issue, with no positive results. Only Britain, which is concerned at the damage the lasting crisis is doing to the London Metal Exchange (LME), has said the debts should be honoured.

In addition, there has been no sign of movement among the largest producing members. Both sides continue to shy away from making any commitments on the council's liabilities, as demanded by the ITC's creditor banks.

Traders and bankers, who have proposed a £900m ($1.33bn) financial rescue for the council on condition that the governments make such a commitment, do not disguise their growing impatience at the governments' inaction and are threatening them with an unprecedented tide of lawsuits.

The crisis began on October 24, when the ITC's buffer stock manager, who had been mounting an increasingly desperate effort to support the tin price, finally ran out of funds.

The LME, the world's leading metal market, immediately suspended tin trading, and its market has remained closed. Trading in other metals has also been badly affected because it is feared that some traders might be bankrupted if no solution is found and the price of tin collapses.

The ending of buffer stock operations, which included direct and indirect transactions both in the cash and the futures market, left traders and bankers holding a "paper mountain" of tin bought and sold forward by the ITC, in addition to the physical tin stocks held by the buffer stock manager.

It is the question of whether the council's member-governments should honour those commitments that has preoccupied officials since and will dominate this week's meeting.

A preliminary audit of the Council by London accountants Peat, Marwick, Mitchell, showed that in addition to the 52,540 tonnes of metal held by the ITC under previous International Tin Agreements, the buffer stock had forward commitments to purchase more than 63,000 tonnes of tin on the LME and unpriced and undelivered forward sales commitments for more than 57,000 tonnes.

Bankers and traders claim that as a result of the buffer stock manager's multiplicity of dealings in the market, the council might be faced with taking delivery of between 100,000 and 120,000 tonnes of tin in January, when the bulk of the contracts expire.

"Very few member-governments seem to appreciate the importance of these calculations," said Sir Adam Ridley, a director of Hambros Bank and spokesman for the creditors, at the weekend.

The rescue proposed by the 16 ITC creditor banks, led by Standard Chartered, contains three basic elements:

- Renewal of existing loans to the ITC, totalling between £350m and £360m.
- Provision of what bankers term an "overdraft" of up to about £550m in new money to cover the council's tin contract commitments.
- A contribution of 10 per cent of the total value of the measures from LME traders themselves.

However, negotiations between banks and ITC members have been effectively prevented by the governments' failure to agree so far on the principle of whether they will stand by the council's commitments by giving sovereign guarantees or, as proposed more recently, put options on tin to secure the loans.

Officials from both producing and consuming countries said at the weekend that there was still no agreement on that issue. To some extent, each side is waiting on the other to move.

The EEC members are to meet again today ahead of the full ITC emergency session. On Friday, at a meeting of EEC ambassadors in Brussels, there appeared to be a gradual acceptance that some money might have to be made available, perhaps on the basis of "burden-sharing" between the governments, the banks and the traders. That would imply, according to diplomats, no acceptance of legal liability for the debts.

Bankers said they would be reluctant to accept such an arrangement on the grounds that it would imply they were equity partners in the council and would in effect concede that governments could walk away from loan commitments. But they did not rule out the possibility that that would eventually become a subject for negotiation.

World market holds its breath. Page 6

Lloyd Webber plans flotation of his musical enterprise

BY LIONEL BARBER IN LONDON

MR ANDREW LLOYD WEBBER, who has composed enormously successful musicals such as "Cats" and "Starlight Express," is to bring his Really Useful Company to the London stock market early next year.

Lord Gowrie, Britain's former Minister for the Arts, is to join the board as non-executive chairman and Mr Tim Rice, Mr Lloyd Webber's collaborator on "Jesus Christ Superstar" and "Evita," is to become a non-executive director.

The offer for sale is being handled by J. Henry Schroder Wagg, merchant bankers, and the London stock brokers Phillips & Drew.

Mr Brian Brolly, managing director, said yesterday that at least two leading entertainment companies – one in the US and one in the UK – had shown an interest in acquiring the business before the company decided to go public. He declined to name them.

"We wanted to stay independent and have wider share ownership," said Mr Brolly, who owns 30 per cent of the company. Mr Lloyd Webber owns the remainder.

For the year ended June 1985, the company's pre-tax profit was about £2.6m ($3.8m) on £12m turnover, some 70 per cent to 80 per cent of which came from theatre productions. Really Useful also owns, jointly with Mr Lloyd Webber, the Palace Theatre, in the centre of London's theatre district. It intends to buy out his share of the theatre on the flotation.

The company's main attraction lies in the copyrights it holds to a number of works by Mr Lloyd Webber. It exploits those through theatre productions, sound and video recordings, music publishing and merchandising. It owns copyrights on "Cats" and "Starlight Express" but not the earlier joint compositions such as "Evita" and "Jesus Christ Superstar."

Mr Lloyd Webber, 37, is expected to assign to the company all future works composed by him for the next seven years in return for agreed royalty rates. Much of the company's revenue is taken up by such payments.

Mr Brolly, who has spent almost 30 years in the music business, including periods working for the former Beatle Mr Paul McCartney and his group Wings, said that part of the proceeds from the sale would be used to refurbish the Palace Theatre, which he described as having "tremendous potential."

Elf ready to lead oil search in Paris

By Dominic Lawson in London

THE GREAT avenues of Paris may soon be alive with the sound of drilling. The French Government is expected to announce this week the award of a licence to explore for oil in the capital and its suburbs to a consortium of Elf Aquitaine, Total and British Petroleum.

Elf, which is expected to have a 50 per cent stake in the venture and act as operator, said it would not comment on the award until the licence documents had been signed. But the state-controlled oil company conceded that it had recently conducted trial seismic surveys in the suburbs of Paris at midnight, to see how residents responded to the disturbance.

The company said: "There was no reaction at all. There is no reason why one should not conduct seismic surveys in the great avenues of Paris, or up and down the Seine, where there is no problem with traffic."

Actual drilling is likely to be limited to the areas outside the centre of the capital, with wells deviated inwards, if necessary.

The hunt for oil around Paris was prompted by a big find in1981 at Villeperdue, 50 miles east of the capital. In 1983, Esso struck oil on its Brie permit, about 40 miles southeast of Paris. The area is now known locally as "Dallas-en-Brie."

In October 1984, Elf applied for a licence to explore for oil over a 2,000 sq km tract covering Paris and its suburbs.

According to a study of the Paris Basin, produced by oil analysts of the London stockbroking firm James Capel, "the Paris Basin rests on the stumps of late Palaeozoic mountain chains, which were levelled by erosion in Permo-Triassic times. These chains subsided in the late Triassic, and the emergent basin filled with a succession of Mesozoic and Tertiary sediments."

Fresh bid to save Westland

Continued from Page 1

Westland's problems centre on a lack of work until 1990, when it starts building a naval and utility helicopter jointly with Agusta. The British company faces imminent financial reconstruction as it seeks to plug the gap in its workload and balance sheet.

Considerable scepticism remains that a solution can be found involving the rival French and Italian industries, both of which are state-controlled, in rescuing the private-sector Westland, especially since Britain's Conservative Government continues to oppose using public money to help. There is also doubt that the cumbersome Italian government procedures can move speedily enough to meet Westland's time constraints.

The Westland board had been expected to meet this week to agree the deal with Sikorsky, the subsidiary of United Technologies, in advance of the announcement of Westland's preliminary results due in about a fortnight.

Negotiations between the European companies received the political blessing of Mr Heseltine and other EEC defence ministers last week. On Friday, after day-long meetings involving executives of the companies and the armaments directors of the four countries, Mr Heseltine met Sir John Cuckney, chairman of Westland since last June, and charged with the company's rescue.

Mr Heseltine handed Sir John a document which, it is believed, reaffirmed the four governments' intention to buy European helicopters and to rationalise the products of their industries.

Sir John said last night that the document, which appeared to require ratification by the four governments, as well as to conflict with the British Defence Ministry's avowed competition policy, required further study.

He confirmed that Westland was "currently far advanced with negotiations in pursuit of our publicly declared intention to establish strong international links," which would, he said, include "a European party."

EEC nears agreement on reform proposals

Continued from Page 1

still maintains an overall reservation on all treaty amendments, as does Denmark. But the emerging package appears increasingly to represent an outcome acceptable even to Mrs Margaret Thatcher, the UK Prime Minister.

The question over monetary affairs and the EMS, is none the less, still unresolved. It was described yesterday by Mr Jacques Delors, the Commission President, as "the most difficult and most explosive" issue.

Britain and West Germany are both opposed to any formal inclusion of the subject for fear that EEC institutions will encroach on the autonomy of national central banks. New proposals put forward yesterday by the Commission and the Netherlands go some way to meeting their objections.

Mr Delors said that the foreign ministers had made significant progress, and he was "pleasantly surprised". The differences to be resolved by the EEC leaders had been clarified, and the process of "whittling down" the reforms had ceased, he said.

It now seems likely that a package will be approved by a large majority of the members, with possible reservations by Denmark and Italy.

Mr Giulio Andreotti, the Italian Foreign Minister, yesterday put forward a proposal to grant the European Parliament full powers of co-decision-making with the Council of Ministers from 1992 – the deadline for completing the Common Market.

SA labour federation

Continued from Page 1

secretly last week with President P. W. Botha to demand an acceleration of reform and to warn that otherwise the country faced sanctions and disinvestment.

The group for the first time drew members from both the English and Afrikaner private sectors, underlining the breadth of business worries that the Government's policies are inappropriate

The meeting was organised by the South African Foundation, a private-sector pressure and lobbying group. Among those present were Mr Harry Oppenheimer, Mr Gavin Relly (chairman of Anglo-American Corporation), Mr Fred Du Plessis (head of the Sanlam insurance group), Mr Wim de Villiers (past chairman of mining house Gencor), and Mr Anton Rupert (chairman of the Rembrandt tobacco and liquor group).

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	17	63	Dubrovnik	S	15	59	Malaga	F	15	59	Salzburg	C	5	41
Akrotiri	S	19	66	Faro	S	19	66	Malta	F	20	68	Seoul	Sn	2	36
Algiers	S	21	70	Florence	S	14	57	Manila	S	31	88	Singapore	C	31	88
Amsterdam	S	9	48	Frankfurt	Fg	5	41	Miami	C	27	81	Stockholm	C	-8	18
Athens	S	17	63	Funchal	F	21	70	Milan	C	6	43	Strasbourg	S	11	52
Bahrain	S	28	82	Geneva	S	8	46	Moscow	Sn	-8	18	Sydney	R	21	70
Bangkok	S	33	91	Gibraltar	C	17	63	Munich	F	6	43	Taipei	C	23	73
Barcelona	S	15	59	Guernsey	F	11	52	Nairobi	—	—	—	Tangier	S	21	70
Beirut	F	19	66	Helsinki	S	-11	12	Naples	S	16	61	Tehran	—	—	—
Belgrade	C	5	41	H. Kong	S	22	72	New Delhi	S	27	81	Tel Aviv	F	20	68
Berlin	F	-4	25	Innsbruck	Fg	2	36	New York	R	6	43	Tenerife	S	25	77
Biarritz	S	21	70	Inverness	F	3	37	Nice	S	14	57	Tokyo	F	15	59
Blackpool	R	13	55	Istanbul	F	10	50	Oporto	R	18	64	Toronto	C	4	39
Bordeaux	S	16	61	Jersey	F	10	50	Oslo	C	-9	16	Tunis	S	17	63
Brussels	S	13	55	Jo'burg	R	19	66	Paris	S	14	57	Valencia	S	15	59
Budapest	F	1	34	Las Palmas	S	26	79	Prague	C	0	32	Venice	S	5	41
B. Aires	S	26	79	Lima	S	21	70	Reykjavik	C	2	36	Vienna	Fg	0	32
Cairo	S	24	75	Lisbon	F	19	66	Rio de J'o	S	25	77	Warsaw	S	-3	27
Cape Town	—	—	—	Locarno	S	7	45	Rome	F	16	61	Zurich	Fg	3	37
Caracas	C	27	81	London	F	13	55								
Casablanca	S	28	82	Los Angeles	R	17	63								
Copenhagen	C	-2	28	Luxembourg	S	7	45								
Corfu	S	17	63	Madrid	S	10	50								
Dublin	C	14	57	Majorca	S	18	64								

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

UK, US may cut securities regulations

Continued from Page 1

that growth of international trading will have on their internal regulation of securities markets. Last May the SEC published a discussion paper raising numerous questions about disclosure, and regulation, and asking for comments on the practicability of reaching bilateral or multinational agreements on securities law enforcement.

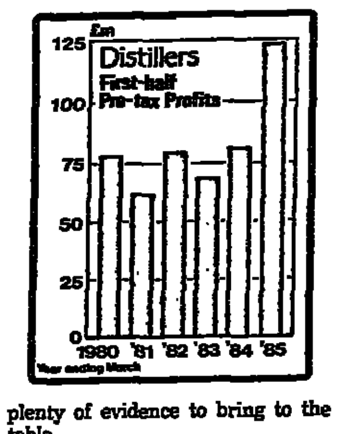
It is thought that the Americans are particularly concerned about the implications of a greatly expanded involvement by US securities firms in the newly opened up London markets.

Mr Howard gave as an example the ban on American citizens from trading in options on overseas exchanges. "If we can satisfy them that we will provide enough information, that will go a long way towards opening up these markets."

The Americans have given support to the mixture of statutory and self-regulation embodied in the UK Government's Financial Services Bill.

THE LEX COLUMN

An end to the phoney war



At half past nine this morning, if the weather forecasts are right, the Highland mists should lift to reveal Mr James Gulliver, in kilt and sporran, charging off to do battle with Distillers. The odds are stacked against him. Argyll Group's market value of £674m falls far short of the £1.82bn at which Distillers was capitalised on Friday evening. Months of comment and speculation have allowed the whisky company to strengthen its management ranks, correct the most obvious areas of criticism and hasten the publication of glittering interim figures. Mr Gulliver has a job on his hands.

The delay has worked to Distillers' advantage in other respects. The proliferation of takeovers – on both sides of the Atlantic – has alerted institutional shareholders to the worth of underlying assets and of international brand names. In mid-July, when the Distillers price stood at 283p, Grieveson Grant recommended that the shares should be held for income only. Last week it published another circular, arguing that at anything under 600p a share the purchaser would be getting excellent value for money.

Asset backing

Grieveson is related to Distillers' merchant bank – not that it mentions the fact in its circular – and institutions may choose to consider its argument in that light. But the change of emphasis is remarkable only for its degree. Six months ago Distillers was seen by the equity market as a dull income stock; now it is a storehouse of value.

Yet, while a takeover-driven market has made the company a more expensive proposition, it has also made Distillers more vulnerable. Size, as Elders has attempted to demonstrate, is no longer an adequate defence. The stock market is becoming accustomed to reverse takeovers and, in contrast to Elders, Argyll can use its own paper to reduce the gearing of a post-acquisition balance sheet. On the assumption that Argyll offers a package made up of one third cash and two thirds paper, the combined balance sheet would show up pro-forma gearing of around 85 per cent at March 1986.

Argyll must hope that the more generous evaluation of Distillers' assets will only go to show how poorly the company has exploited them in the past. Like the Elders bid for Allied, this is a takeover about management. There is no commercial logic in putting Argyll and Distillers together; Mr Gulliver will simply argue that he can manage the assets better. And he has plenty of evidence to bring to the table.

The decline of Distillers is one of British industry's most sobering tales. Wood Mackenzie estimates that between 1973 and 1984 its share of the world market for Scotch whisky fell from 48 per cent to 35 per cent in volume terms. Its UK market share dropped from 54 per cent to 15 per cent over the same period. During the past five years, the group's earnings per share have gone almost nowhere.

Distillers has spent the past month or two rebutting the criticisms. The Scotch whisky market as a whole has been in decline, it points out, and its first priority has been to preserve its share of the world market by value – which it has held at roughly 50 per cent – rather than to chase unprofitable volume. It accepts that it was slow to adjust its inventory to take account of falling demand but argues with some justice that the whole industry delayed too long before reducing production. And, as the dominant producer, Distillers found it harder than most to shift stock without cutting prices and so damaging the credibility of its brands.

The decline in the UK market Distillers attributes largely to the 1977 withdrawal of Johnnie Walker Red. There is some argument about whether Distillers made the shrewdest response to EEC action but there is no doubt that it subsequently failed to defend the vacated market position against Bell's and Famous Grouse. Nor is Johnnie Walker the whole of the story, as the collapse of Haig's UK market share testifies.

Distillers is on slightly stronger ground across the Atlantic, where Dewars and Tanqueray gin are both established marketing successes and the position of Johnnie Walker and Gordons has been well maintained. What has been lacking in every market, however, is rigorous brand positioning and product innovation.

By having so many brands clustered around the middle of the product price range, Distillers has largely failed to exploit the growth in single malts at one end and cheap whiskies at the other. The company has now attacked both these markets in the UK – with Cardhu and Claymore – but a more aggressive management might have attacked them earlier.

Similarly, Distillers has been slow to develop brands outside its traditional area of expertise – Pimm's is a notoriously under-exploited product – or to diversify through acquisition.

Over the past two years, Distillers has started to tackle its problems. Production capacity has been shut or mothballed, the US has been strengthened by the acquisition of Somerset and the UK management structure has been recast. But the group has still not shed the image of a Scottish institution that responds to pressure but fails to initiate radical change. If Sir Nigel Broackes had been appointed chairman of Distillers two months ago, the City would have been readier to accept the company's arguments. His appointment as a non-executive director last week was neither one thing nor the other.

Whisky demand

But Mr Gulliver cannot count on any overwhelming support for the terms being announced this morning. A figure of 510p a share can be arrived at simply by totting up the realisable values of stocks, properties and investments. The Distillers balance sheet is free of short-term debt and, while the recent interim figures are clearly exceptional, the group is experiencing some underlying improvement in Scotch whisky demand.

Nor is Argyll the most plausible of bidders. Mr Gulliver is an inspired food retailer, who would bring the necessary financial controls and management drive to the task in hand. But Argyll itself has had a chequered history in the drinks industry, has little experience of international marketing and has only recently established its credibility in the City.

The chances of a counter-offer must therefore be high. There are few obvious UK contenders but, if the Office of Fair Trading decides next week not to refer the Elders bid for Allied, Argyll could find itself up against some tough foreign competition. Mr Gulliver himself has impeccable Scottish roots but if the Scottish ring fence has after all been dismantled, there is no telling who might take a shot at Distillers.

SECTION III

FINANCIAL TIMES SURVEY

Luxembourg Banking

LUXEMBOURG *is an unlikely* place to look for a flourishing international financial centre. It is a small country town, the capital of a tiny country with only a small indigenous banking market and with far from excellent physical communications with the rest of the world.

In today's competitive world the appeal of megacentres like London and New York can easily outshine the attractions of modest places like Luxembourg. The Grand Duchy has to struggle to survive. Everybody *there knows this, but the im*portant point is that everybody is also prepared for the fight, to ensure that Luxembourg has at least some role to play in the international financial market of the future.

It is about three years since the growth in Euromarket lending which buoyed Luxembourg's expansion in the 1970s began to dwindle. In the 12 months to August the balance sheet footings of banks in the Grand Duchy grew by only 9.6 per cent with much of the increment concentrated *on interbank business* as demand for credit from non-bank customers continued to slacken.

Growth rates such as these have rendered absurd any aspirations Luxembourg might once have had to be a banking centre of world importance. Nowadays its sights are set lower, on targets that may in fact be more realistic.

What Luxembourg aims to be is above all a regional banking centre for Europe, offering a full range of financial services *including portfolio management* for wealthy individuals as well as the more traditional trade and corporate finance.

Within the Grand Duchy there is *increasing confidence* that this objective can be achieved. But Luxembourg's image elsewhere is not nearly so positive. British bankers complain that it is duller even than Guildford, a small town some 30 miles from London. Swiss bankers say it is stealing their discretionary fund management business, and the West *German Bundesbank pointed* out in a recent and scathing study that the profits of the 29 German banks established there are so low as to be truly unimpressive.

Luxembourg, outshone by the likes of London and New York, is struggling to survive in today's financial arena. Its aspirations are not as high as they once were, but within the Grand Duchy there is a strong fighting spirit and growing confidence that it can achieve its objective to become a regional banking centre for Europe.

Sights set on more realistic targets

BY PETER MONTAGNON

"Our image," admits Mr Remy Kremer of Banque Générale, and President of the Luxembourg bankers' association, "has not been perceived in the right form."

*Because of this the associa*tion will start a major public relations effort next year to make the world at large more aware of the Grand Duchy and of its desire to live in harmony and co-operation with other centres. "We should rather be and remain complementary to other places," Mr Kremer says.

It will be hard for Luxembourg to boast during this public relations exercise of the sort of achievements for which centres like London are now *preening themselves. Not only* has Luxembourg's asset growth rate slowed to a trickle, it has also missed out on some of the more recent innovations, such as the development of the Euro-note market and the rapid expansion of dealing in financial futures and options.

Yet, what Luxembourg has apparently achieved is a niche for itself in certain kinds of *business for which it and its* position seem eminently suited. For the time being it remains the premier centre for business in Euro-Deutschemarks, which by end-March made up 36 per cent of the Eurocurrency assets of banks domiciled there.

Indeed, it was the possibilities offered by Luxembourg for Euromarket trading in German currency that provided the original justification for Luxembourg's aspirations to become an international centre.

Unlike the neighbouring Federal Republic, Luxembourg has no minimum reserve requirements. Though talk has started that Germany itself could move to create its own offshore banking units, this remains a considerable attraction.

In recent years Luxembourg has also moved to create a favourable environment for what is calls "private banking" or the management of money for well-off individuals.

Bank secrecy rules in the Grand Duchy are every bit as tight as those in Switzerland; there is no stamp duty on securities transactions; and fees charged by banks for managing money are much lower than in rival centres.

There are no statistics for the growth of fund management business in Luxembourg, but all the anecdotal evidence suggests it is growing faster than *many* people expected. With that is coming an increase in turnover in securities trading in the Grand Duchy and a reinforcement of the country's role as an important centre for the $100bn a year Eurobond market.

Luxembourg is already established as a vital part of the infrastructure of the Eurobond market. The *majority* of Eurobonds are listed on its otherwise tiny stock exchange; Cedel, one of the two main clearing houses for international bond trades, is located in Luxembourg; and many of the local banks actively market their services as coupon paying agents for Eurobonds.

Figures published by the Luxembourg Monetary Institute, which regulates the banking industry and is the closest thing the country has to a central bank, *show that Luxem*bourg banks had a presence in the managing syndicate of 35.9 per cent of all new Eurobonds issued during the first quarter of this year. In some European *currencies such as* the French Franc, Ecu and Norwegian Crown it was much higher, ranging up to 100 per cent of all issues.

All this is grist to the mill of those bankers who see the Grand Duchy as a centre for portfolio management business. Portfolio management brings fresh demand for dealing expertise in securities and other markets. So does the influx of captive insurance companies which is just beginning under new govern*ment regulations. And that* demand is helping to redefine the role of Luxembourg as a financial centre.

Bankers with long experience of Luxembourg say that the emphasis really has begun in practice as well as in theory to shift towards fee generating business which will ultimately make of Luxembourg a centre where funds are managed and traded rather than simply lent.

Many believe that Luxembourg has a particular role to play in this type of business which does not necessarily conflict with that of Switzerland, several of whose banks are themselves actively pursuing fund management business in the Grand Duchy.

To put it crudely, Luxembourg is a down-market centre compared with Switzerland. "We like to provide a service for people who feel looked down *on by a Swiss bank," said one* German banker. "It's all a question of psychology."

In other words, while Swiss banks woo the really rich, Luxembourg offers a service at a moderate fee to those of lesser means. Even a deposit of as little as DM 100,000 will still bring individual service in Luxembourg. Swiss banks *would look askance.*

Fortunately Luxembourg has discovered that there is money to be made in dealing with these middle-class investors. *Now they* are bent on building it up further.

Staffing levels at Luxembourg banks have been increased sharply. By the end of the year the total employed in the banking system could be as much as 10,000, or 6 per cent of the nation's workforce. But, though the workforce is growing, profits from fund management *and other fee-generating* activities are still rather small. Last year they totalled almost LFr 6bn, only a fraction of total profits but still nearly double their level of 1982.

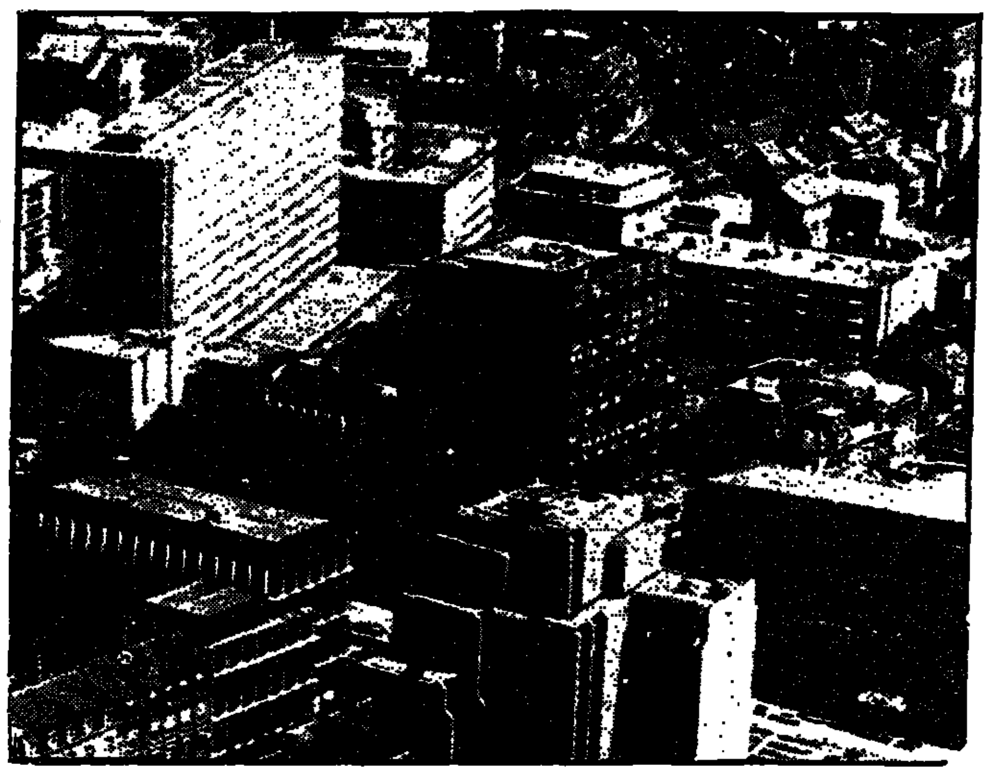
What Luxembourg still needs is time to adapt to its new future. Fortunately for banks in the Grand Duchy the authorities have taken a positive and pragmatic approach in this respect. If not exactly a tax haven — corporation tax exceeds 40 per cent and personal tax rates are among *the steepest in Europe* — Luxembourg has found ways of granting fiscal incentive to the banks through the generous allowances it offers on provisions against potential losses on lending to sovereign states in trouble with their debts.

There is little doubt that these provisions have helped boost banking profits in the Grand Duchy at a time that would otherwise have been rather lean. Already in the past few years this approach has also allowed banks to begin *the process of diversification* away from Eurocredit lending.

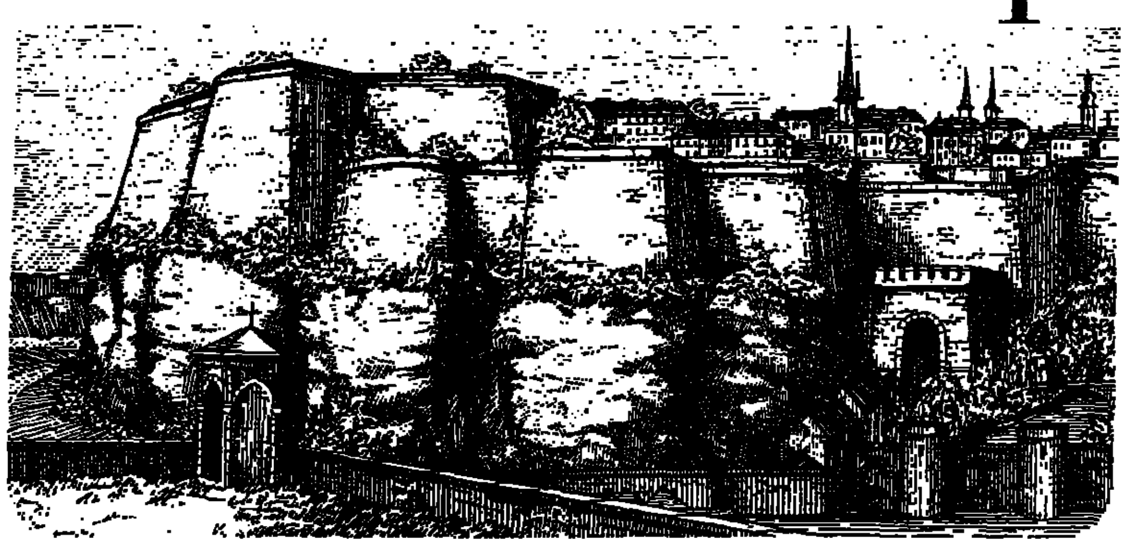
What finally emerges when this process of diversification is complete may be a less glamorous, lower key centre than before, but a solid one for all that.

Bankers in Luxembourg know that they can never compete with places like London, but *they believe they still have* a role to play.

Mr Jean de Roquefeuil, chairman and chief executive of International Bankers Incorporated, one of the newer arrivals, puts it this way: "The wise thing is to accept being at a second level in many activities but still to become a regional centre. Why not?"



Banking district of Luxembourg. The Grand Dutchy has achieved a niche for itself in certain *kinds of business for which it, and its position, seem eminently suited*



Dwindling assets growth leads to narrowing of horizons

Anatomy of a Banking Centre

PETER MONTAGNON

LOOKED at purely in terms of balance sheet footings, Luxembourg seems to have entered a period of serious stagnation as a banking centre.

Figures compiled by the Monetary Institute show total assets rose only 9.6 per cent in the 12 months to August. At LFr 7.53bn they were below June's peak of LFr 7.79bn, and in September they are thought to have fallen even further.

Yet the number of banks operating out of the Grand Duchy is growing—in September there were 120 of them, five more than at the end of 1984—and profitability remains high, at least before tax and provisions are taken into account.

And the quiet confidence that emanates from the smart banking offices along Luxembourg's Boulevard Royale suggests that the Grand Duchy has at last come to terms with the change in climate that occurred when assets growth first began to dwindle seriously two or three years ago. Now, Luxembourg has a different future, but it is one that more and more bankers are convinced will work.

Gone is the illusion that growth in lending business is automatic, and with it the notion that Luxembourg could become a banking centre of world importance. Instead horizons are narrower, in the sense that the Grand Duchy now sees itself more as a regional European centre concentrating on trade and corporate finance. They have widened considerably, however, insofar as within this regional specialisation a more diversified approach to business has firmly taken hold.

At the core of banking activity in Luxembourg remains its traditional lending business which still provides the bulk of earnings. Net interest receipts last year were LFr 82.07bn, far more than commission income of LFr 5.95bn or than earnings from foreign exchange dealing which slipped to just LFr 1.7bn from LFr 6.34bn in 1983.

So far this year new lending to non-bank customers has slipped slightly to LFr 2.494bn in August from LFr 2,682bn at the end of 1984. But a large part of the drop is accounted for by the decline in value of the dollar. In real terms, reckons Mr Pierre Jaans, head of the Monetary Institute, "a growth profile is still there, albeit a modest one."

No one pretends that lending is easy in these days of slack credit demand. Corporate customers in Europe are very liquid indeed and less likely than before to turn to their banks for credit.

But some bankers in Luxembourg maintain that there is still money to be made, especially with careful management of liabilities to maximise total return. "You can't change the market, you have to make the best of it, but so far we have been not unsuccessful," says Dr Ekkehard Storck, managing director of Deutsche Bank Compagine Financiere Luxembourg.

Lending to borrowers in industrial countries makes up nearly three-quarters of total Eurocurrency lending by banks in Luxembourg, the bulk of it to countries in Western Europe.

Latin America accounts for just 8.8 per cent of total Eurocurrency lending, and much of that has been offset by loan loss provisions under Luxembourg's generous accounting policies.

One measure of the slowdown in lending activity is the way in which interbank deposit activity in Luxembourg has grown much more steeply than actual lending to non-banks.

While the latter total at LFr 2,494bn at end August was barely higher than the total prevailing at the end of 1983, interbank assets in the same period have increased by nearly a quarter to LFr 4.085bn, reflecting partly a tendency on the part of German banks to shift some of their lending business to their branches in London and partly the problem facing banks seekings to replace maturing loans with similar high-quality credits.

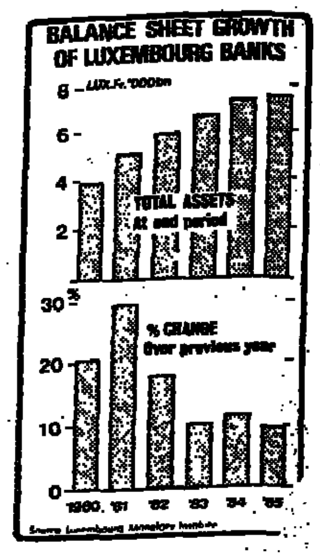
But few bankers in Luxembourg believe that their loan portfolios will actually run off dramatically in the immediate future. Most consider that lending business has reached what Mr Jaans calls a comfortable cruising altitude, at which diversification into new forms of business can begin in earnest.

It also helps to have a specific niche. "Lending to corporations with access to capital markets has become unprofitable for most Eurobanks. Our activities are with small to medium-sized companies or independant entrepreneurs or in the export/import area." says Mr Ole Aamodt of Den Norske Creditbank (Luxembourg).

But despite its problem finding new business, Luxembourg is lucky in two respects. First the volume of existing loans is large enough to keep the banks going while they diversify into new areas such as private client banking which generates fee income. Second, its traditional concentration of business in the OECD (Organisation for Economic Co-operation and Development) area means that Luxembourg banks are less plagued than those in many other countries by developing country debt problems.

There are so far no figures available in Luxembourg for funds under management from private individual customers, but there is strong anecdotal evidence that this business is growing.

Other figures supplied by the banking industry to the Monetary Institute also suggest that fund management activities have begun to have an impact on the overall business trend.

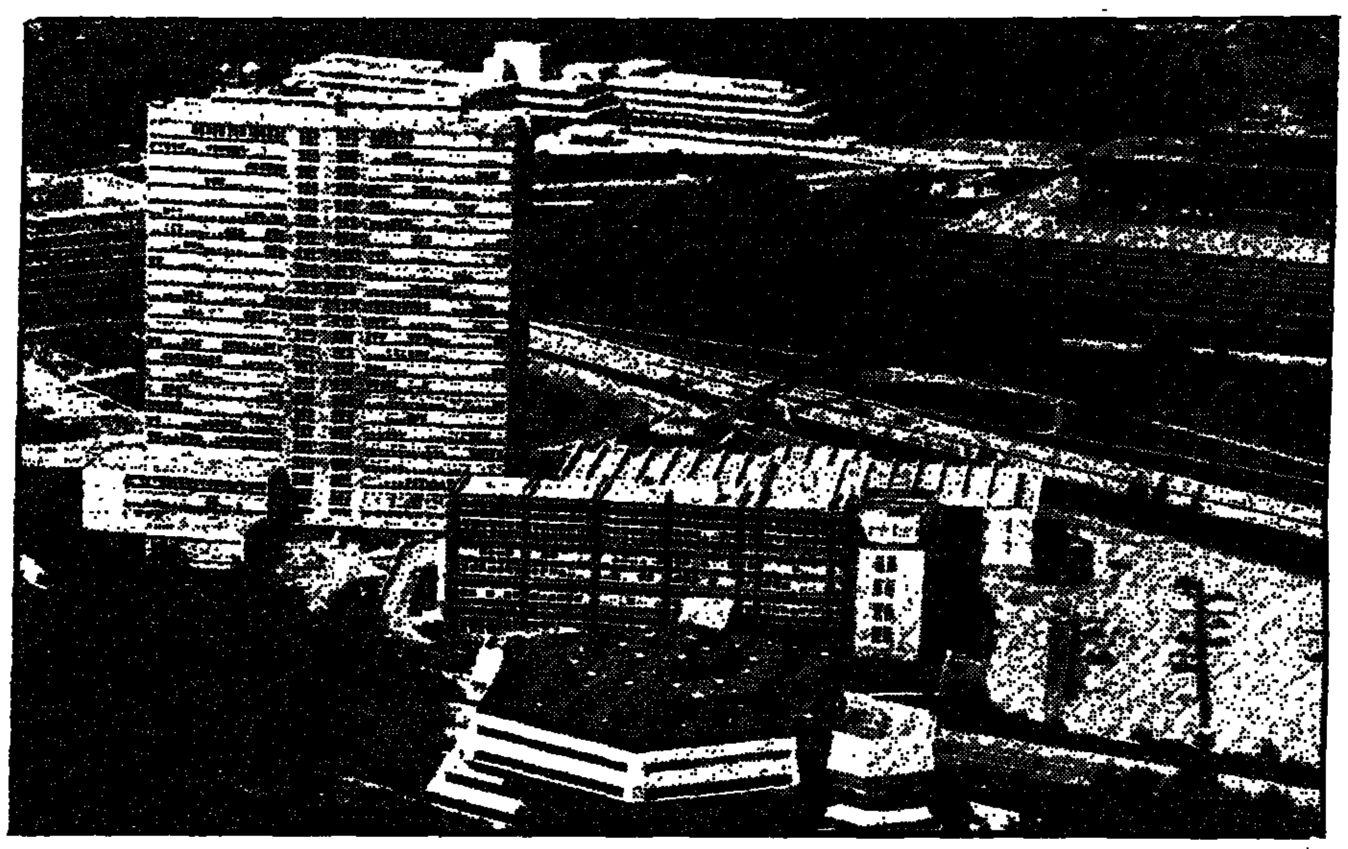


For example, holdings of securities by banks jumped in the first eight months of this year by LFr 46bn to LFr 426bn, and bankers say that trading activity in the securities market is increasing rapidly as fund management business expands.

More telling still is the growth of employment in the banking sector as private client business, which is more people intensive, than wholesale banking, takes hold. At the end of last year a total of 9,382 people were employed by the banks. By the end of 1985 the figure should rise to 10,000.

That is still only around six per cent of the total workforce but it is getting on for around double the numbers employed ten years ago.

More important still in the eyes of the Luxembourg authorities it is a sign of commitment by the banking industry to the country itself. After all, a loan book can be run off or shifted elsewhere, but people are not nearly so easy to manipulate as balance sheets.



The tower of the EEC Kirchberg Palace stands in front of the headquarters of the European Investment Bank

Profile: International Bankers Incorporated

By Peter Montagnon

Gamble pays off handsomely

"When we arrived in Luxembourg in May 1983 we did not know what we were going to do," says Mr Jean de Roquefeuil, chairman and chief executive of International Bankers Incorporated, one of the more recent arrivals in the Grand Duchy. 'So we developed an activity which was familiar to us — short-term trade finance, which was not then known in Luxembourg."

Two years later that gamble appears to have paid off handsomely. International Bankers has shown that it is possible, by exploiting a niche in the lending business to buck the trend towards a decline in asset growth. It is a flourishing bank with 100 employees and a balance sheet of $480m, with a further $610m in contingent business below the line.

Mr de Roquefeuil, who like many of his colleagues moved over to help found International Bankers from Credit Commercial de France after it was nationalised by the Socialist Government in Paris, admits that a decision to start up in Luxembourg was not necessarily his first choice.

Other centres, however, posed problems. London, for example, operates a queuing system for new entrants and does not allow them to be a fully fledged bank immediately.

Switzerland has reciprocity requirements which means it will only allow foreign banks to open if Swiss banks can operate in their countries too. IBI is owned by a holding company in Curacao whose chairman is Mr Jean-Maxime Lévêque, former chairman of Credit Commercial de France. But its shareholders number about 30, ranging from individuals to multinational corporations and other banks. Reciprocity was simply too difficult a matter to negotiate. So IBI turned to Luxembourg and was granted a licence within three months.

Mr de Roquefeuil identifies two problems with doing business out of Luxembourg. The first is the Grand Duchy's lack of a fully fledged central bank which has made it harder for IBI as an independent bank without a foreign parent to develop a funding base in the money markets.

Because of this IBI has not been able to avail itself yet of one of Luxembourg's main attractions in the form of its low capital requirements (three per cent of assets) and has had to maintain a large shareholders' equity of $116.4m to demonstrate its inner strength to the market.

The second problem with Luxembourg, Mr de Roquefeuil says, is marketing. "Marketing is difficult from here, simply because the customers are not here," he says with crushing simplicity. That means IBI has also had to expand quite rapidly abroad.

In London it has a representative office coupled with a finance company that allows it to carry out letter of credit business. It has a subsidiary in Hong Kong and most recently has persuaded the French authorities to let it buy out Banque Wedge, a small French bank, through an exchange of shares.

That said, Luxembourg offers considerable appeal — through its generous taxation system. "We pay almost no tax and everything gets put into provisions."

Also Luxembourg is a carefully supervised banking centre which is jealous of its reputation. The controls are tough, but even senior officials are immediately accessible and that makes for a positive dialogue between the banking community and the Government.

And what of the future? Like other Luxembourg banks which have found their niche in the lending business, IBI is looking at diversification. "It's not our aim just to be a trade finance bank. We have an ambition to be a merchant bank with a full activity in banking and finance," says Mr de Roquefeuil.

Luxembourg Banking 3

Pragmatic and flexible approach to bad debts

Provisions

PETER MONTAGNON

NOTHING IS more likely to make a Luxembourg government official recoil in horror than the suggestion that the Grand Duchy is a tax haven. Throughout its history as a banking and financial centre Luxembourg has striven hard to dispel any notion that it is a place willing to accommodate the less-acceptable side of banking at the expense of its own or of anyone else's taxpayers.

Yet over the past few years Luxembourg has demonstrated that this doctrine can be applied with pragmatism and flexibility, no more so than in the generous approach of the authorities to banks wishing to set aside provisions against losses on loans to foreign countries.

Since 1982 many banks in Luxembourg have not been declaring any net profit at all. Instead they have applied all their operating earnings to the establishment of such provisions. In the process they have been able to cut sharply, or at least defer their bills for corporation or profits tax.

On the one hand, the argument in favour of this approach is that it is a sound one, encouraging the banking industry to protect itself against the risks that it has run in parts of the world such as Latin America and Eastern Europe where sovereign debt problems have surfaced.

Few could argue against such an approach from a prudential point of view, least of all those central bankers from other countries who complain constantly about the failure of international banks generally to make enough provisions against bad sovereign loans.

Moreover, Luxembourg banks have been playing it by the book in the sense that those banks which have adopted what has become known as "zero-profit accounting" have also stopped paying dividends back to their parent companies abroad. In other words earnings on such potentially risky loans as those to countries such as Brazil, Argentina and Mexico have been used to strengthen the banks internally against bad times that might lie ahead.

That said, however, there is no doubt that the policy towards provisions adopted by the Luxembourg fiscal authorities in co-operation with the Monetary Institute which supervises the banks has done much to boost operating profits at a time which would otherwise have been very lean.

Figures compiled by the Luxembourg Monetary Institute show that in the three years since 1982 net constitution of provisions by banks in the Grand Duchy amount to over LFr 140bn. In practice this is retained profit which can be applied to the banking business, reducing sharply a bank's overall cost of funds and therefore adding to its interest margin earnings.

It is probably no coincidence that the return on assets since such provisioning became widespread has been historically high even though straightforward margins on loan business have been declining. Last year it was 0.98 per cent before provisions and in 1983 1.1 per cent, exceeding the level struck in the high margin days of 1976 and 1977.

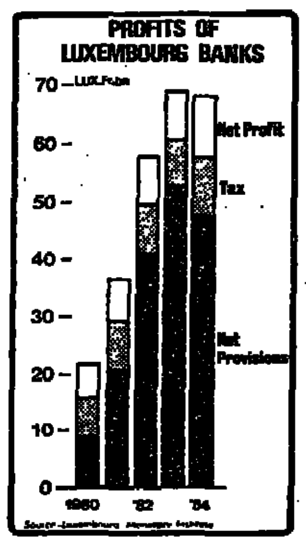
Now, however, the end to this bonanza is coming into sight, just as banks are getting used to the idea of Luxembourg being a centre with a favourable tax regime. The problem is partly that the scope for making new provisions is diminishing since so many potential losses have already been provided for and partly because the tax authorities will soon be catching up on the accounts from previous years to determine whether or not the provisions were justified.

If they were, the loans in question might have to be written off altogether; if not the provisions might have to be unwound, tax bills would rise and banks would lose the advantage of interest-free funds that they represent.

Either way round, the days of zero-profit accounting seem to be numbered. "We are coming nearer to a decision to show a profit again," says Dr Ekkehard Storck of Deutsche Bank Compagnie Financière Luxembourg, which was the first to adopt the system.

The actual impact of this will depend heavily, however, on the attitude adopted by the authorities, and the signs are so far that they will be prepared to be flexible both in the interests of sound banking in Luxembourg and of keeping the Grand Duchy attractive as a place from which to conduct banking business.

Already this year one aspect of provisions has been changed in favour of the banks. The amount of general provisions that banks can create against their unsecured loan book has been increased to 1.8 per cent from 1.5 per cent.



Another change which points to flexibility on the part of the authorities is in the treatment of withholding tax paid to governments abroad that have no double taxation treaty with Luxembourg. Tax credit allowances in the Grand Duchy in respect of such payments are being increased by 66 per cent.

Separately, banks can also benefit from a smaller tax change which reduces the personal tax obligations of a limited number of specialist personnel seconded to Luxembourg banks from the head offices of their parents abroad.

Where they are likely to be disappointed in their demands for favourable tax treatment, however, is in their hope for a reduction in profits tax, currently around 40 per cent. That, it seems, would be going just a little bit too far.

The Luxembourg Government does clearly expect to derive some tax income from the banking industry, but there is also nowadays less doubt that it is prepared to be flexible in the interest of keeping the centre attractive in a highly competitive world.

Tone set by Belgian dentist

Private Banking and the Retail Bond Market

MAGGIE URRY

THE BELGIAN dentist is something of a legend in the Eurobond market. He is the individual who buys vast numbers of Eurobonds, often never to sell them again.

His preferences dictate the who and how of new issues because issue managers know that if the bonds cannot be placed with the "retail" there is less chance of a deal succeeding. His tastes and moods are consistently being monitored by bankers. He is a legend, but a living one.

Luxembourg bankers speak affectionately of the dentist. To them he is reality and a major customer. Although the bankers reject the connotations of the phrase, they admit that the country is a tax haven. Non-residents are not liable to tax on their investments and the strict banking secrecy code, enshrined in law, makes Luxembourg an ideal place to buy, sell and hold securities.

To a British investor the notion of entering a high street bank and buying securities across the counter is a strange one. But to European investors this is commonplace. And where better to transact their business than in Luxembourg, only hours from many major European cities by train or car.

As well as dealing in bonds or shares for investors, many Luxembourg banks offer a portfolio management service. This is a traditional part of their work but one which is expanding rapidly and an area which banks not involved in the past are keen to enter. Private banking forms a significant part of many banks business.

Although the banks are competing harder for business this does not mean that portfolio management is becoming less profitable. On the contrary the business is good and banks are increasing their staff. Bankers are confident of there being sufficient business. "There is no problem, there is enough to go round," says one.

While most investors are European based, bankers are noticing a greater interest in the country from further afield. And foreign banks which set up portfolio management services in Luxembourg often bring clients from elsewhere in the world. Bank of America for instance, which has long been active in this area, has clients referred from the bank's branches around the globe.

A full portfolio management service is only available to investors with fairly large sums of money. Some banks set a minimum of around $100,000 while others put the limit at $500,000. Smaller accounts may find the solution is to buy unit trusts in order to achieve a spread of investments.

Many investors prefer to go to Luxembourg with their portfolios than to Switzerland, the traditional centre for such business. Charges are generally lower than in Switzerland with investors paying as little as 0.2 per cent of their assets in some cases.

Luxembourg also has the advantage of having no transaction taxes on the secondary market so dealing is cheaper than in Switzerland. And, the Luxembourg bankers argue, investors receive a more personal service with greater flexibility, for instance on the fees, than they would find in Switzerland.

Many of the banks with large portfolio management departments are also active in the new issue market. However, the two functions must be kept rigidly separate with no hint of clients being "stuffed" with new issues. "If we are to keep the clients' confidence we must give him a good service," says one banker. Though another admits "there is sometimes a tough fight between the primary market and the portfolio managers."

Nevertheless, the retail investors' presence in abundance in Luxembourg is important to the Eurobond market. The Luxembourg based banks have strong placing power and are often sought as co-managers of issues, as lead managers want to tap the retail market.

The market is becoming more institutional with teams of sales men selling bonds to larger investors. But the importance of retail placement remains.

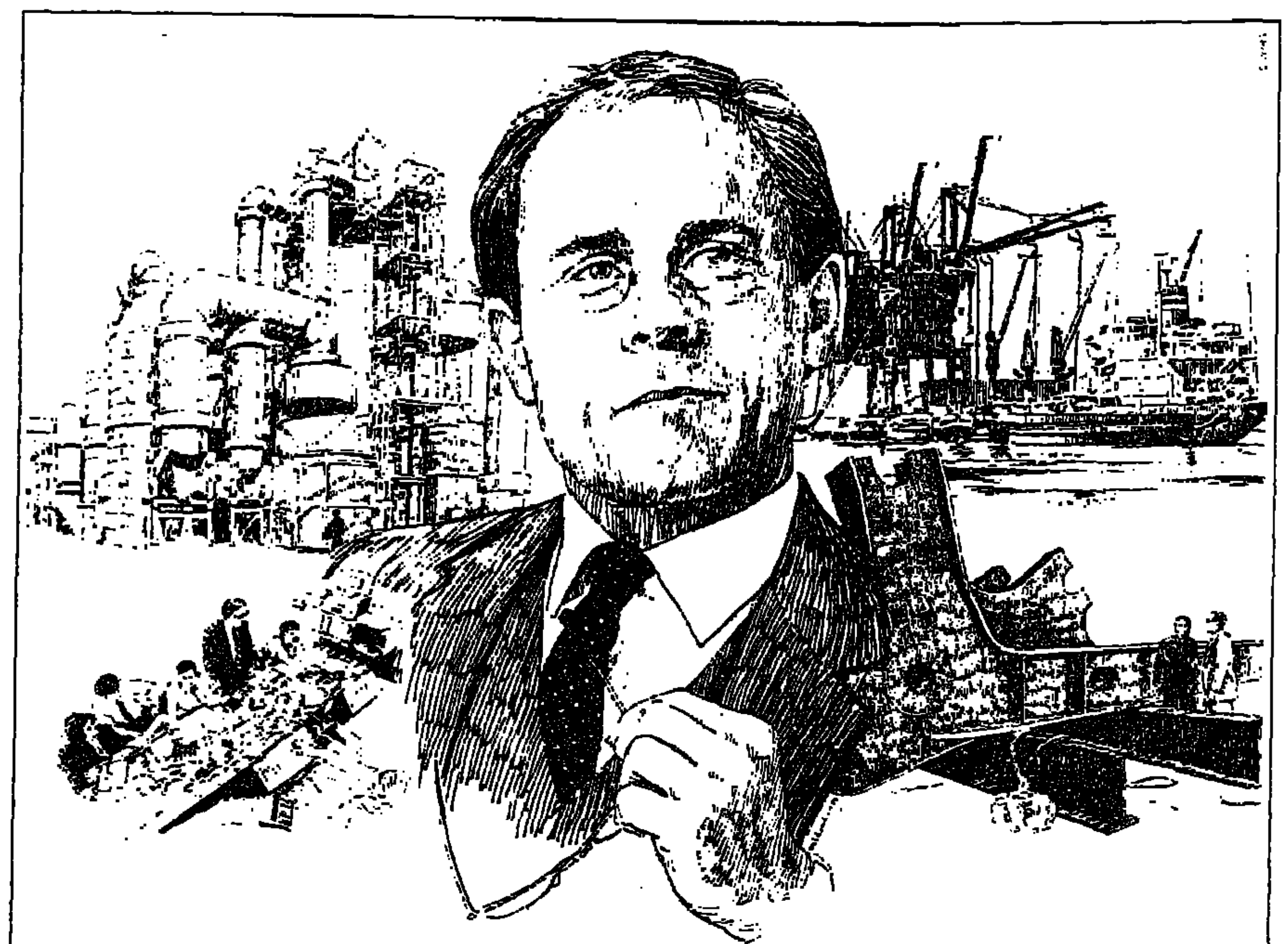
These retail investors have decided tastes and are very selective in their choice of bonds when the market is difficult. Their first preference is for bonds rather than equities, except at times of strong share markets, as they want a high and fixed income from their investments.

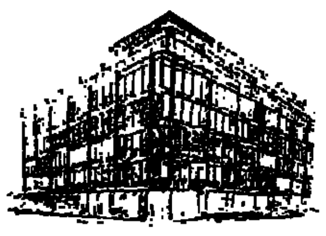
They are keen to buy bonds issued by sovereign and supranational names. Among corporate issuers investors pick names they know. This preference often produces anomalies in the market because well known borrowers can often obtain finer terms on a bond issue than a less well known but better credit could. Investors are even prepared to favour debt with a BBB rating if it comes from a household name, particularly a US corporate.

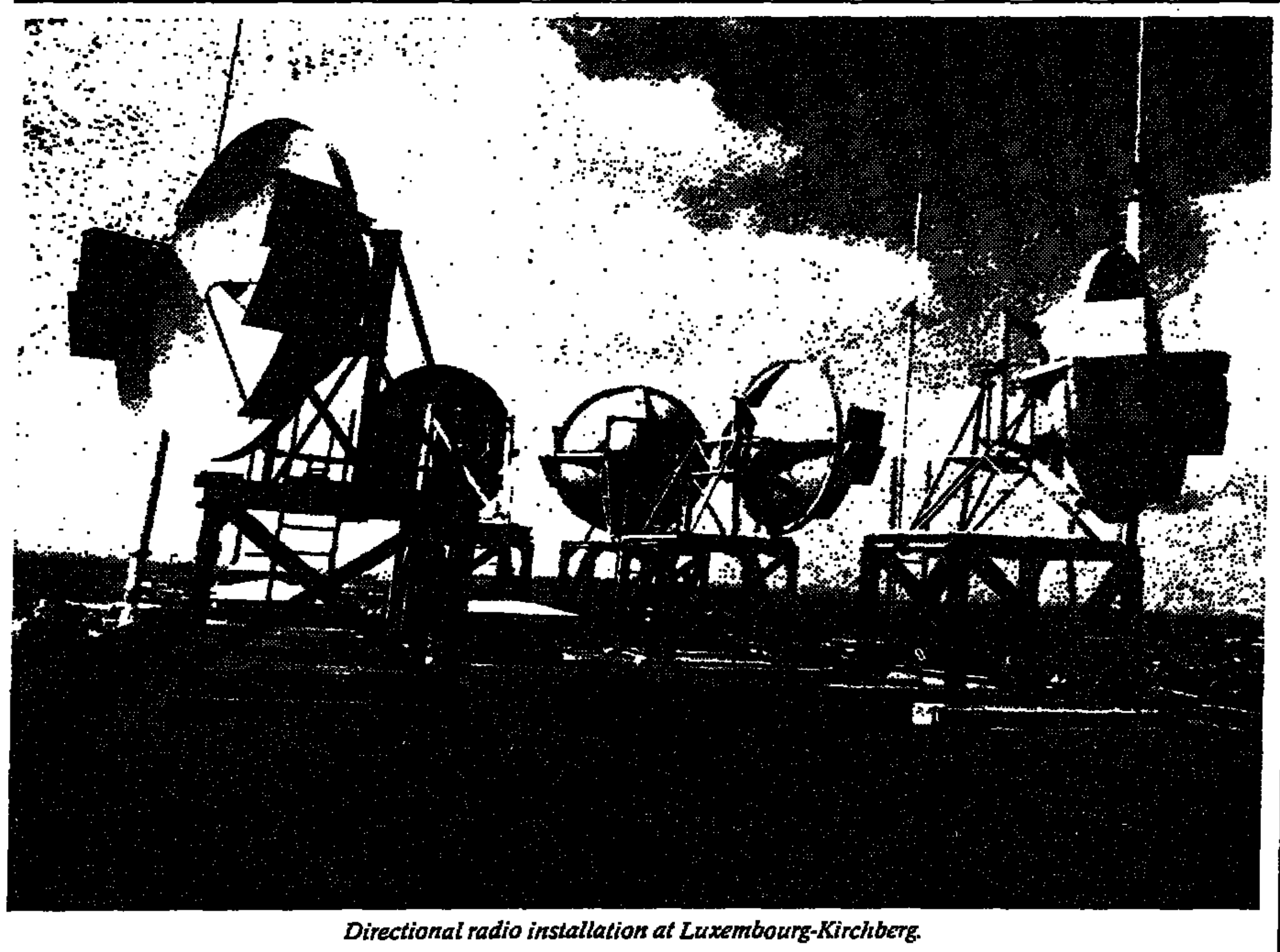
Names such as IBM, Coca Cola, Walt Disney, General Motors and Campbell Soups are all acceptable to these retail investors. But the borrowers cannot push their good fortune too far. Retail investors also like to see a good coupon on an issue. At present investors are strongly resisting coupons below 10 per cent.

Retail investors are more adventurous than the big institutions in their choice of currency sectors in the bond market, and are prepared to buy issues denominated in many European currencies as well as Canadian dollars and Australian dollars.

A recent demonstration of their desire for high coupons has been their readiness to buy, despite advice to the contrary from the bankers, New Zealand dollar bonds. These bonds have coupons in the region of 17 or 18 per cent for maturities of only three years. So far the Belgian dentists have been proved right.







Directional radio installation at Luxembourg-Kirchberg.

Luxembourg Banking 4

Need to revitalise attraction

The West German View

JONATHAN CARR

NO—the lights of West German banks are not about to go out all over Luxembourg. But they are certainly glowing with less lustre than they did in the heyday of Eurolending business a few years ago; and they may start to flicker soon if the Luxembourg authorities do not find ways of providing a new power injection.

There were two reasons above all which drove (or attracted) German banks to Luxembourg in force—roughly from the early 1970s. The first was that they could thus free themselves from the irksome minimum reserve requirements at home, under which they have to deposit relatively large sums interest free with the Bundesbank, the central bank.

By setting up operations in Luxembourg, conveniently close across the border and where there is no such reserve requirement, the banks were able to offer loans more cheaply than they could do from their home bases.

The second reason was that German banking subsidiaries (i.e. foreign banks majority-owned by German banks) in Luxembourg were not subject to the provisions of German Banking Law — especially its capital-to-lending rules which are far tougher than those in the Grand Duchy.

In other words Luxembourg offered an almost perfect launching pad for the Eurolending rocket, and the German banks scrambled to take advantage of it.

Even now, when the lending rocket has come down like a stick, the Germans remain present in force — with what is easily the biggest national contingent of banks in Luxembourg.

At the end of 1984 the Germans had 26 subsidiaries and one branch there. Total assets of these made up close to one half of those of all 115 credit institutes in the Grand Duchy. The biggest players were the subsidiaries of Deutsche Bank (assets of DM 31.9bn), Dresdner Bank (the German "pioneer" in Luxembourg, with DM 22.9bn) and Commerzbank (DM 15.1bn).

The importance of the German presence for Luxembourg needs no underlining — but it is worth stressing how important Luxembourg still is for the Germans. The 26 subsidiaries there had a total business volume at end-1984 of nearly DM 160bn, while the remaining 37 German foreign subsidiaries outside Luxembourg had business volume of only DM 33bn.

In the light of the two big advantages already mentioned the strength of this presence is not surprising: but one of the plus points is already being undermined and the other may be shortly.

Under the revised German Banking Law which took effect this year, the parent banks must consolidate the lending of their subsidiaries (hence including those in Luxembourg) and ensure that the total does not exceed eighteen times capital plus reserves. There is a transitional period until the start of 1991 before this rule has to be applied in full. But the revision means that the special advantage the German subsidiaries have enjoyed in this respect so far, is being lost.

That hardly comes as a shock to the banks. It became clear years ago that some such revision would emerge in due course—and bankers can perhaps comfort themselves with the thought that "it was nice while it lasted."

The other "Damocles sword" is more unexpected. Who would have thought even a year ago that the Bundesbank might consider modifying its minimum reserve requirement, which has always been seen as one of the most important weapons in its monetary policy armoury? But then who would have believed a year ago that the central bank would open the way to foreign banks being able to lead-manage D-Mark denominated foreign bond issues; or that financial innovations like variable interest rates and zero coupon issues would be allowed in Germany? In the meantime those changes have occurred, and the Bundesbank is now showing signs of being less attached to the minimum reserve instrument than it used to be.

The truth is that the central bank has found more sophisticated ways of guiding monetary policy, for example, through its securities repurchasing agreements with the banks, and the minimum reserve instrument has fallen into disuse. Talks are therefore going on about modyfying it.

One key question (on which lawyers differ) is whether a change in the Bundesbank Law might be needed. This is something the Bundesbankers want to avoid like the plague—because once politicians started to tinker with the law in one respect, they might decide to do so in another (perhaps undercutting the central bank's high degree of independence of Government).

While these talks have been going on in the background, some German bankers—in particular Dr Walter Seipp, chief executive of Commerzbank—have even been urging that banking "offshore centres" be set up in the Federal Republic.

Dr Seipp bluntly argues that such centres would help Germany "win back" part of the business (and tax) which went abroad—and he says there is no reason why control over German money supply should be lost thereby. If London or the International Banking Facilities in the US can isolate "Eurobusiness" from "domestic business," he asks, then why cannot Germany?

It goes almost without saying that establishment of such centres, say in Frankfurt or Düsseldorf, would pose a big challenge to Luxembourg. It is also worth noting that, despite widespread suggestions to the contrary, the Bundesbank has not wholly ruled out even this idea.

But even a modified minimum reserve rule would put a further question mark over Luxembourg too.

Asked what the reaction would be with respect to Luxembourg operations if the Bundesbank did ease the rule, a board member of a leading German bank replied quickly: "At first, we would carry on as before. We have no plans to pull out." He then added, choosing his words with care, "but in principle, every step to open up the German market further, tends to reduce the need to do business in Luxembourg."

That kind of phrase may well raise a few tremors in the breasts of Luxembourg authorities (and no doubt is meant to do so). But it needs to be put in perspective too.

First the big expansion of Eurolending business is a thing of the past. German banks in Luxembourg which were boosting business volume by an average 20 per cent a year in the late 1970s, have reined in their lending dramatically since then.

Partly, this was due to greater prudence, partly to a realisation that a Banking Law revision was on the way anyway. They paid virtually no dividends to the parent banks and thrust almost all their operating profit into provision against lending risks.

This provision was treated with great generosity by the Luxembourg tax authorities so that—for a time at least—the banks have what amounts to a cache of interest-free funds. This could change of course, but it is far from clear that the banks would get a better tax deal in this respect at home.

Secondly, even if the really unexpected occurred and an "offshore centre" were permitted in Frankfurt, business directly involving Germany—for example export finance for German companies — would almost certainly be excluded from the new facility. This would stay elsewhere, above all in Luxembourg which was long the most important, if not the only, source of Euroloans for German non-bank customers.

Finally, the German banks in Luxembourg (like their competitors in the Grand Duchy) are seeking to boost their business with private clients as a partial counterbalance to the downturn in Eurolending. They are aided by banking secrecy laws which are tighter than those at home, and comparable to those in Switzerland — which, far more than the Grand Duchy, has been subject to outside pressure (notably from the US over insider trading).

Several of the banks report a sharp increase in business with private clients and need to take on extra staff to deal with the demand. But for all that, there is a big questionmark whether these activities will bring enough "golden eggs" to make up for Luxembourg's problems in other respects.

The really innovative business bypasses Luxembourg for London (expensive though that centre is): Eurolending is flat — and the relative advantages of a Luxembourg vis-a-vis a German base are less than they were.

The banks with their huge investment of personnel and capital in the Grand Duchy are not just about to pull out—but they clearly feel that (still) more favourable tax treatment would be a good extra argument for staying.

Mutually beneficial relationship

Swiss View

WILLIAM DULLFORCE

A DIPLOMATIC incident between Luxembourg and Switzerland almost materialised earlier this year when Swiss Volksbank closed shop in the Grand Duchy and announced that it was setting up in London. The Duke called in the Swiss Ambassador to explain.

The Duke's apprehensions were in the event easily allayed. Swiss Volksbank had only a small business employing a dozen staff in Luxembourg and had solid grounds for concentrating its resources in London.

The big Swiss banks — Union Bank of Switzerland (UBS), Swiss Banking Corporation (SBC) and Credit Suisse — run much bigger operations in the Grand Duchy and show no signs of wanting to pull out.

On the contrary SBC has just invested SFr 12m ($5.5m) in a new building: UBS is waiting for permission to demolish an old house on the site it has bought and construct its own, and Credit Suisse has taken a decision in principle to invest in a Luxembourg home.

The episode, however, highlights the special, symbiotic relationship between the Swiss banks and the Luxembourg finance centre. The Swiss provide a large part of the Luxembourg market's liquidity, and, in contrast to some other foreign banks with bigger operations, they pay substantial corporate taxes to the Grand Duchy's exchequer.

It is understandable, then, that the Duke should seek reassurance when a Swiss bank withdraws. In fact the relationship with the big three continues to be mutually beneficial, although the Swiss are grumbling about the tax burden and Luxembourg needs to ensure that their fiscal advantages in operating in Luxembourg are maintained.

"Complementary" and "supplementary" (to their main business) are adjectives used by most Swiss bankers to describe their Luxembourg operations. They are not disposed to see in the Grand Duchy competition for Switzerland as a financial centre. They enumerate limiting factors.

Luxembourg has no underlying economic or commercial strength to match Switzerland's and does not offer the domestic placing power available to the Swiss banks, in Swiss eyes.

One banker saw Luxembourg's membership in the European Economic Community as another potentially limiting factor. The Grand Duchy could eventually be forced to comply with EEC rules which might not conform with its role as a financial centre.

The banking secrecy established in 1981 is seen as an asset, comparable with that conferred on the Swiss banks by their own domestic legislation.

The Swiss moved into Luxembourg in the mid-1970s after the big West German banks and for different reasons. The Germans, in the words of one Swiss bank, used Luxembourg as an offshore centre to "clean their books," to avoid domestic capital restraints and to make provisions in Luxembourg without affecting the balance sheets they showed at home.

A motive offered at the time for the Swiss banks' entry was that Luxembourg provided a foothold within the EEC but no particular advantage appears to have accrued on that score.

At least one banker, however, is happy to feel that he has a base outside Switzerland, should the Swiss national bank "go beserk again" and impose negative interest rates on foreign deposits, as it did for a time in the 1970s.

It was also argued in the beginning that Luxembourg offered an alternative base for Swiss banks' Euromarket operations, a theme that has become less pronounced as the innovations introduced elsewhere have gradually taken business away from Luxembourg.

The most compelling reason all along for the Swiss banks' interest in Luxembourg has been the opportunity to place funds from the fiduciary accounts which they cannot take on to their books at home. The Grand Duchy is a trustee banking outlet for the Swiss banks, which is why they supply most of the liquidity on the interbank market.

Luxembourg is cheaper. The banks avoid the Swiss 30 per cent withholding tax and there is no stamp duty. The guidelines on brokerage fees are much more flexible than the code they follow at home and there is no trustee commission to compare with the 0.5 per cent paid in Switzerland.

More recently the Swiss banks have been strengthening their private banking, in line with the shift in emphasis sought by the local authorities and the fiscal advantages offered.

They have intensified their asset and portfolio management for private customers and are finding a strong demand for their services. Many German investors apparently prefer to use a Swiss bank in Luxembourg.

Measured by assets, the Swiss banks' operations are much smaller than those of the big German banks, although the big three Swiss all fall within Luxembourg's top 20. Their earnings, on the other hand, have been higher and their contributions to Luxembourg's tax revenue larger.

SBC showed net earnings of LFr 312m and assets of LFr 117bn last year, while Credit Suisse reported a net profit of LFr 199m and a LFr 91bn balance sheet. The comparable figures for UBS, which exports in Swiss francs, were a profit of around LFr 460m and assets of LFr 240bn.

The three Swiss banks are not uniform in their approach. In SBC's more decentralised organisation, for instance, Mr Peter Stuessi, its Luxembourg director, spends time marketing his services within his own parent bank as well as with outside customers. UBS and Credit Suisse exercise more direct control from Zurich and allocate funds to Luxembourg.

In spite of the generally more favourable business climate in Luxembourg, the Swiss banks are bothered over two items: taxation and the shortage of competent staff.

Corporate tax takes 40 per cent of earnings, but for lack of a double taxation agreement between Switzerland and Luxembourg (which would seem to be the fault of the Swiss) dividend payments from the Swiss subsidiaries to their parents attract a 15 per cent deduction.

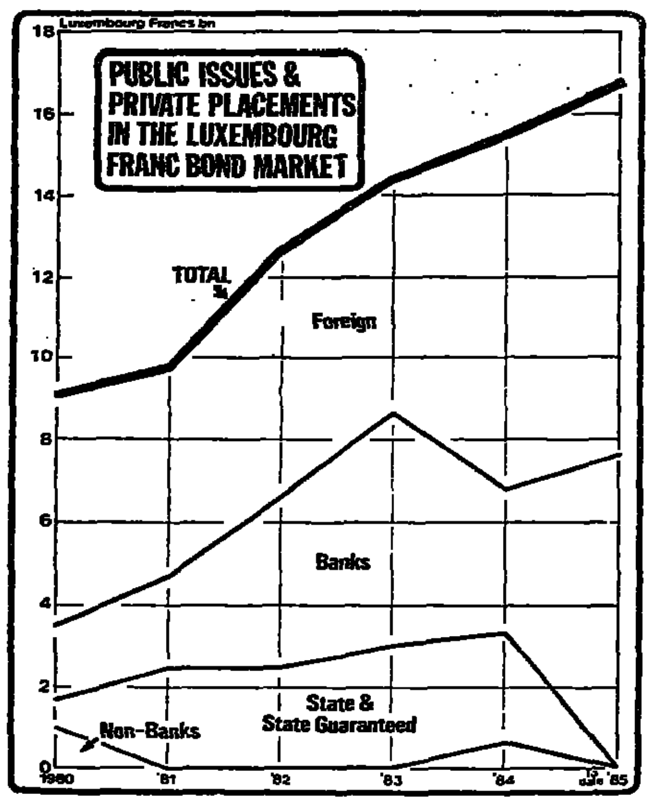
The banks have been seeking relief from this double taxation which led both UBS and Credit Suisse (Luxembourg), for instance, to allocate all last year's earnings to reserves.

The Bankers' Association commissioned a comparative study of Luxembourg and London as financial centres which focused on fiscal disadvantages in the Grand Duchy. One Swiss banker sees liberalisation in London, where corporate tax is being reduced in steps to 35 per cent, as the real threat to Luxembourg.

The same banker, nevertheless, praised the skill with which the Luxembourg authorities had so far been able to create profitable market niches for foreign banks by looking for weaknesses in the fiscal structures of their home countries.

A nice little business in gold certificates has been generated, for instance, which attracts the participation of Swiss banks whole domestic gold business, is subject to turnover tax. Even the double taxation dividends works to the advantage of Luxembourg since it persuades the Swiss banks to retain profits in the Grand Duchy.

The real competitors, one Swiss banker argues, are the Swiss and Luxembourg tax authorities.



On course to grow in size and importance

Luxembourg Franc Capital Market

MAGGIE URRY

BORROWERS are queuing for months or even years for a chance to raise money in the Luxembourg franc market. "It is a marvellous little domestic market," enthuses one Luxembourg banker. This year will be a record one for new issues, and interest rates have been declining.

A large part of the market's existence is due to the absence of withholding tax on issues, whereas in the Belgian franc market the tax man takes 25 per cent of investors' interest. The two currencies are linked on a one-to-one basis so, but for the tax differences, interest rates in the two bond markets would be the same. As it is, borrowers can raise money more cheaply than in Belgium while investors, many of whom are Belgians, can get a higher net return.

The market has grown rapidly but is still carefully controlled by the banks which lead manage issues, and by the Luxembourg Monetary Institute. This year the maximum size of private placements was increased from LFr 250m to LFr 300m. Certain categories of borrowers can make public issues of up to LFr 1bn, while others are limited to LFr 600m. Soon after the rules were changed issues for the new maximum amounts were appearing.

Unlike most domestic bond markets where the government and local companies are the main borrowers, this one is dominated by Luxembourg banks and supranational and foreign borrowers. The Grand-Duchy has not made an issue so far this year, though it is expected to place bonds directly with the insurance companies which are required to put a percentage of their funds into top quality paper.

The Grand-Duchy has a very low borrowing requirement and therefore does not need to tap the market heavily. There are few local companies, only eight industrial and commercial companies have their shares listed on the Luxembourg Stock Exchange, and these mainly rely on bank loans to finance their activities. Luxembourg banks are major borrowers and so are the various institutions of the European Economic Community, many of which have their homes in Luxembourg.

The market is attractive to foreign borrowers, so to stop a flood of issues overwhelming the market, the launching of deals is carefully regulated.

For public issues, borrowers are divided into four categories with the order of priority descending from the top downwards. In the first category comes the Grand-Duchy and issuers with the state's guarantee, which can make unlimited issues of any size. Also in this group are issuers which plan to use the proceeds of their borrowings to finance projects of major importance to the Luxembourg economy. These can borrow up to LFr 1bn.

In the second category come the European Investment Bank, the World Bank and some EEC borrowers. These can also make LFr 1bn issues. The third category includes banks in Luxembourg, though not the Euro-banks, and international organisations of which Luxembourg is a member, excluding the EIB, the World Bank and the EEC entity which has issued under category two.

All other issues come in category four and, like category three borrowers, these are limited to issues of LFr 600m.

This year the Monetary Institute has brought in a rule which allows one category four borrower to come to the market after three category three borrowers have launched deals. This should allow the huge queue of such borrowers to move forward, evenly if only slowly, and should increase the internationalisation of the market.

Private placements were intended to allow borrowers unable to tap the public market to make issues. But they have become a major source of finance for better quality issues such as the Euro-banks. These issues are informally co-ordinated by a committee of the four main banks in the market, Banque Generale du Luxembourg, Banque Internationale a Luxembourg, Banque Paribas (Luxembourg) and Kredietbank Luxembourgeoise.

These banks consider the amount of paper which they believe can be placed to ensure that an overload of new issues does not occur. Other banks can come to the committee to ask to bring issues. Private placements cannot be made during the subscription period for a public issue.

"If demand slows the calendar slows too. There is no indigestion," says the syndicate manager at one of the four banks in the committee.

"The system works well. We never have flops though at some times it is more difficult than others to place the paper," he adds. Other banks in Luxembourg would like to get into this business and a handful of banks outside the four in the committee have led private placements. But only Luxembourg banks with good retail placement for the paper can lead such issues.

This year public issues have been made by the EIB, the World Bank, the major Luxembourg banks, Eurofima, Euratom and Industrial Bank of Finland. Private placements have been made by a number of banks, both Luxembourg-based and others such as Morgan Guaranty and Barclays Bank. The differences between coupons on public issues and private placements has narrowed to only ½ per cent or so—down from peaks of around 1½ per cent—as higher quality borrowers have made private placements and investors demand for paper has allowed coupons to fall.

Yields have been falling throughout this year, after a strong market in 1984. The EIB started the year with a 10-year public issue with a coupon of 9¾ per cent, the lowest seen for five years. Since then coupons have fallen to around 9 per cent.

The secondary market has also been active this year, although many retail investors hold their bonds to maturity rather than trade in and out of them. Institutions are important investors with the Luxembourg insurance companies having to buy Luxembourg franc bonds issued by the best names, such as the Grand-Duchy and the supranational borrowers.

The Luxembourg franc bond market has gone through an exceptionally good period with prices rising and issuing activity at a high level. The outlook is less certain as interest rates have been rising slightly in countries such as West Germany. However, even if there are pauses in the trend of expansion, this market looks set to grow in size and importance.

No shortage of funds to invest in the right projects

European Investment Bank

MAGGIE URRY

"WE ARE not in the business of giving aid," Mr Eugenio Greppi, the man in charge of the European Investment Bank's lending operations says, but the bank does not behave strictly like a commercial bank. The EIB's role is to make loans to contribute to the development of the European Community on a non-profit making basis.

Th EIB does have a lending record that any commercial banker would envy though. There has never been a default in its loan portfolio, though sometimes the guarantees on loans have been called upon.

All the loans the EIB makes are secured, often by the governments of the countries where the projects being financed are located. That is an important consideration to the rating agencies which accord the EIB's debt a AAA credit rating, the best there is, which in turn allows the EIB to borrow at the finest rates.

The EIB is required under the Treaty of Rome to lend on projects which develop less developed regions of the EEC; to lend on projects which are in the common interest of the member states of the Community as a whole; and to finance the modernisation or conversion of undertakings or the creation of new activities.

As a result the loan portfolio is biased towards the poorer areas of the Community where development finance is most needed. Mr Ernst-Gunther Broder, the bank's president, points out that the bank has no shortage of funds to lend, the problem is more that of choosing suitable projects for lending.

In countries such as Germany and Holland it is difficult for the EIB to lend as companies there have easy access to the capital markets themselves. The EIB provides a way for bodies who would not be able to tap the markets themselves, to obtain funds at the rates which the EIB gets plus a 0.15 per cent margin to cover the bank's costs.

The selection of projects must, therefore, be carefully done. The bank will only lend on projects which are economically sound. When a loan is proposed a team of people scrutinise the plan before the EIB agrees to finance the project.

While there is no limit to the size of loans, the EIB is unlikely to lend less than Ecu 20m ($17m) on a project. However, the EIB does contribute to financing smaller projects through the use of "global loans." Here a sum of money is passed to an intermediary, such as a bank, which then lends it on in smaller amounts to the sort of projects the EIB itself would lend on. The EIB monitors the lending by sampling the end borrowers.

In 1984, 120 global loans totalling Ecu 1.9bn were made. Of these 50 went to France and 47 to Italy. A total of 48 intermediaries were used. Nearly all the money was chanelled to independent companies employing fewer than 500 people.

The EIB has calculated that the investment outlay per job created is Ecu 63,500 under the global loans compared with Ecu 363,000 under the larger-scale industrial projects financed by individual loans.

The EIB also considers the employment and environmental aspects of the projects it is financing in a way that a commercial banker would not. For example, the bank has done much to make the Mediterranean a nicer sea to swim in through the financing of sewage treatment plants. Such projects can be justified commercially because they help to develop tourism, industry and agriculture in the areas.

The reduction of energy imports to the Community has also been an important consideration and the creation of jobs is another of the EIB's objectives.

The bank can and does lend to countries outside the EEC and in 1984 a total of Ecu 708.3m went to operations outside the Community. Two areas where the EIB has been lending are Spain and Portugal, countries which will become members of the EEC on January 1 1986. In 1985 Spain will have been able to borrow Ecu 250m and Portugal Ecu 150m, paving the way for the countries' accession.

Mr Broder does not expect any difficulty in accommodating the new members. This year the bank's capital has been doubled to Ecu 28.8bn which will allow the EIB to increase its lending.

The bank has a limit on lending of 2½ times its capital, though there is no suggestion that the new limit will be reached soon. The president says, "The doubling of the capital will allow the bank a continuous and smooth growth of its lending in an enlarged community."

The bank funds itself largely through the international capital markets and domestic bonds markets and is one of the world's largest borrowers, making its AAA rating vital to its operations. In the first half of 1985 the bank raised nearly Ecu 3bn and the total for 1985 is likely to exceed Ecu 5bn with perhaps a further increase in 1986.

A large variety of currencies are borrowed and on-lent, with the bank increasing its use of the Ecu market, itself expanding, as well as the EuroFrench franc, EuroLire and the Irish domestic bond market. The bank's policy is to match carefully its borrowings and loans in terms of maturity and interest rates, and the difference between the average life of the bank's debts and loans is only two months.

The bank has a cushion through its own capital, with Ecu 700m permanently kept in liquid form, which could be used to service a bond in the case of a delayed payment from a customer.

As a regular borrower in the markets the bank must be careful not to upset its investors by being too aggressive in pitching the terms of issues. The men in charge of the bank's borrowings, Mr Philippe Marchat and Mr Wolfgang Thill, are conscious that fixing conditious at below market levels is counterproductive in the longer term and the success of an operation often determines the success of later deals.

The bank does not adopt gimmicks in the capital markets and indeed has made little use of the swap market, where borrowers exchange the cashflows of their debts. However, the EIB has often been influential in opening new markets.

The history of the bank, which was set up in 1958, has been one of success and it is by no means over yet. The idea of the EEC as a fully developed Community where projects can be financed by commercial banks alone is very much a distant prospect.

EIB funds raised

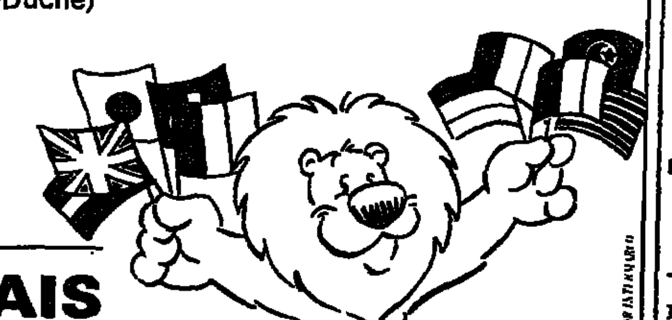
(Ecu millions)

Year	Number	Private issues	Public issues	Other	Total
1980	73	874.5	1,509.0	83.3	2,466.8
1981	57	882.1	1,267.8	159.8	2,309.7
1982	91	1,213.7	1,826.3	165.2	3,205.2
1983	81	1,130.9	2,315.4	173.1	3,619.4
1984	104	822.2	3,227.5	311.2	4,360.9

Loans from the EIB's own resources in 1984

(Ecu millions) By sector

Country	Industry, agriculture services	Energy	Infrastructure	Total
Belgium	—	32.5	—	32.5
Denmark	4.9	119.8	65.3	190.0
Germany	—	134.3	—	134.3
Greece	61.0	88.6	125.9	275.5
France	160.4	115.7	537.9	814.0
Ireland	64.0	—	60.0	124.0
Italy	999.4	485.3	1,053.5	2,538.2
Luxembourg	—	—	16.4	16.4
UK	55.6	577.5	255.1	888.2
Total	1,345.2	1,553.8	2,114.1	5,013.1



In a position of strength

Providing Infrastructure for Bond Market

MAGGIE URRY

"LUXEMBOURG listing," is a standard part of the syndicate manager's patter. When a new Eurobond is issued the question of which stock exchange the bonds will be listed on arises and the chosen residence is an important part of the bond's terms. The majority of bonds find their home in Luxembourg.

Similarly "settle through Cedel," is frequently the last thing two Eurobond traders say when they conclude a deal over the telephone. Cedel, one of the two main clearing systems used by the Eurobond market is based in Luxembourg. The other, Euro-clear, is in Brussels.

These two Luxembourg-based institutions form a significant part of the infrastructure for the European market. But more than that, Luxembourg is in many ways the centre of the market, encouraging the development of that infrastructure.

The geographical position of Luxembourg in the centre of Europe and touching France, Belgium and West Germany puts it in an ideal place to reach investors throughout these countries. Like Switzerland, Luxembourg has a large number of banks managing money for wealthy clients as well as selling bonds across the counter to individuals.

They also act as listing and paying agents for bonds, arranging the stock exchange listing and handling the payment of interest.

Even the presence of many good restaurants in the city is suggested by bankers, tongue in cheek, to be an important attraction to investors to regard Luxembourg as a good place to carry out their bond business.

About 3,000 bond issues are listed on the Stock Exchange denominated in 18 different currencies plus seven composite currencies such as the European currency unit (Ecu). About 95 per cent of the issue quoted on the exchange are foreign issues. "It is the most international stock exchange in the world," says Mr Marcel Lamboray, its director.

Mr Lamboray expects a total of nearly 1,000 new listings on the exchange this year. The growth has been rapid. In 1970 only 644 securities were listed on the exchange. In 1980 the total had reached 1,557, and now it amounts to over 3,400 in all, even after taking issues which have matured into account.

The exchange's staff has had to expand too. "When I joined on January 1 1946 there were three staff. At the start of this year there were 25 and now we have 31," says Mr Lamboray. And that expansion has been accompanied by a growing use of computers.

Also important in the exchange's expansion in the last couple of years has been the strong interest in investment companies which have doubled over the last two years, while share prices have also been booming. The exchange could also become a significant force in the international equity market as more and more companies are listing their shares in Luxembourg.

Borrowers choose to list their bonds in Luxembourg partly because it can be cheaper than the rival exchanges, such as London, but perhaps more importantly because in the Luxembourg market there is active trading in Eurobonds.

Investors, such as the archetypal Belgian dentists, can be sure that a secondary market in the bonds exists and, because the exchange's daily trading in bonds allows an odd-lot market to thrive, even small investors can deal in the bonds at good prices.

This is an important factor if borrowers wish to place the paper widely with smaller investors. It is particularly true in the non-dollar denominated parts of the Eurobond market where retail investors are more important.

While there is not a large amount of trading in the many dollar-denominated bonds listed in Luxembourg, the other currency issues listed are virtually all traded. Most Eurobond trading takes place over the telephone.

Cedel although Luxembourg-based is, like the stock exchange, strongly international exchange, a strongly international institution, with over 1,500 participants in 61 countries. It has expanded its network of marketing offices from only two, two years ago to 11 now. The New York office was opened a year ago and Cedel is making a strong commitment to increasing its share of the Far Eastern market.

Cedel's motto is "Founded by the market for the market" and it aims to meet the changing needs of its participants, adding new services or making existing ones more efficient. It is owned by a wide range of banks and has a co-operative structure.

Some users regard this as a drawback because it can mean that the system is slower to change than Euro-clear which is operated by Morgan Guaranty. Others prefer to have a stake in the clearing system they use.

Cedel's market share is around 35 to 40 per cent, with Euro-clear taking the bulk of the rest of the market. Traders have their personal preferences some using Cedel exclusively, others only dealing through Euro-clear.

A "bridge" between the two allows such traders to deal easily. "Cedel offers as good a service as Euro-clear, and being number two they try harder," says one Luxembourg-based banker.

In the first nine months of this year the number of issues accepted by Cedel has risen by 23 per cent to close to 10,000 while the number of transactions per day has increased by 21 per cent. The value of securities deposited in the system which reached $70bn at the end of 1984 now totals $95bn.

This rapid growth not only reflects the expansion of the Eurobond market but also Cedel's efforts to extend its activities, which include an automated securities borrowing service. As well as clearing Eurobonds, Cedel is moving strongly into the Euro-equity settlement business with close to 500 shares cleared through the system already, and is developing a clearing system for Euro-notes and Euro-commercial paper.

At centre of bid to diversify

Insurance

PETER MONTAGNON

LUXEMBOURG is quietly making a bid to become an important European centre for the captive insurance industry, as part of its effort to diversify financial market activities in the Grand Duchy.

The idea goes back as far as 1982 when the Government first realised that insurance could be an important plank in its efforts to wean the banking sector away from dependance on wholesale Eurocredit business which was the mainstay of its growth during the 1970s.

Only now, however, are captive insurance companies—firms formed specially to handle all the insurance business of a parent industrial or commercial concern—being attracted to the Grand Duchy in any meaningful numbers. By the beginning of this month there were 17 such companies registered and approvals for about 20 more in the pipeline.

The secret of Luxembourg's strategy for attracting these companies lies in the judicious balance between its claim to be a respectable centre, with a well-developed taxation system, and the generous tax incentives offered to companies that do settle in the Grand Duchy.

"Luxembourg is not a tax haven. It has never been and will never become a tax haven," says Mr Victor Rod, the Government's Insurance Commissioner. On the other hand, it has agreed very generous arrangements for captive insurance companies while they build up their reserves in the early stages of setting up business in Luxembourg.

Specifically these involve the right for each captive insurance company to build up tax free technical provisions, against actual or potential claims, amounting to 20 times annual net premium income. Effectively this means a long tax holiday for each new company.

No one in the insurance field in the Grand Duchy claims that this approach is more generous than that of Bermuda, indisputably the leading world centre for captive insurance companies.

Paradoxically, however, Luxembourg's approach seems to have more appeal than that of Bermuda (which is entirely tax free) to companies from certain European countries with a high domestic taxation rate.

The reason lies in the appeal of Luxembourg's extensive network of double taxation treaties with major western economies. These treaties can be used by a captive insurance company to reduce its total tax bill in the home country of its parent, something which is not possible for a captive operating in an environment such as Bermuda, which has no double taxation agreements because it is fully tax free.

The main interest in Luxembourg as a captive centre so far has come from Scandinavia with a large number of well-known companies including names such as Electrolux, Asea, Atlas Copco, Stora Kopparberg and Alfa-Laval, all setting up companies. What is seen as an endorsement of Luxembourg's approach by the Swedish authorities themselves is that one captive, Procura, has been set up specially to handle the insurance business of about 30 state-owned Swedish industrial companies.

The hope is that over time these companies and those that follow them will bring new business to Luxembourg banks through their need to invest premium income. So far, however, it is early days, and premium income from captive insurance companies is thought unlikely this year to exceed about LFr 1.5bn.

Mr Rod also warns against the assumption that the insurance sector in the Grand Duchy could over time equal the importance to the economy of banking. "We are quite aware that this will not be a new insurance wave as we got a banking wave, but the insurance companies are broadening the activities of the existing banks."

In any case Luxembourg is far from determined to achieve growth in its insurance sector at any costs. Quite a large number of applicants to open captive insurance companies get turned down because they do not meet the Government's strict standards. "In this field there are quite a lot of sharks. I'm anxious not to accept them here. It's a question of the image of the place," says Mr Rod.

Insurance specialists already in Luxembourg say the Government subjects newcomers to a very strict vetting process before allowing them to set up business in the Grand Duchy. Though the minimum capital requirements for a captive insurance company are not high at LFr 6m, close attention is paid to the parent company's balance sheet and its reasons for coming to Luxembourg.

If it is thought that a company simply wants a Luxembourg captive as a vehicle for setting up tax free financial reserves then its application will be turned down. The Commissioner's office has to be convinced that it will serve a genuine insurance need. And the reason for that is the deep awareness of the Government of the need to avoid a scandal that could damage Luxembourg's reputation for financial sector stability.

Once a company has been established in Luxembourg, however, supervision becomes less stringent, partly because of the lack of qualified Government manpower. All companies have to do is submit regular financial statements audited by an accountant whose name is on an approved list.

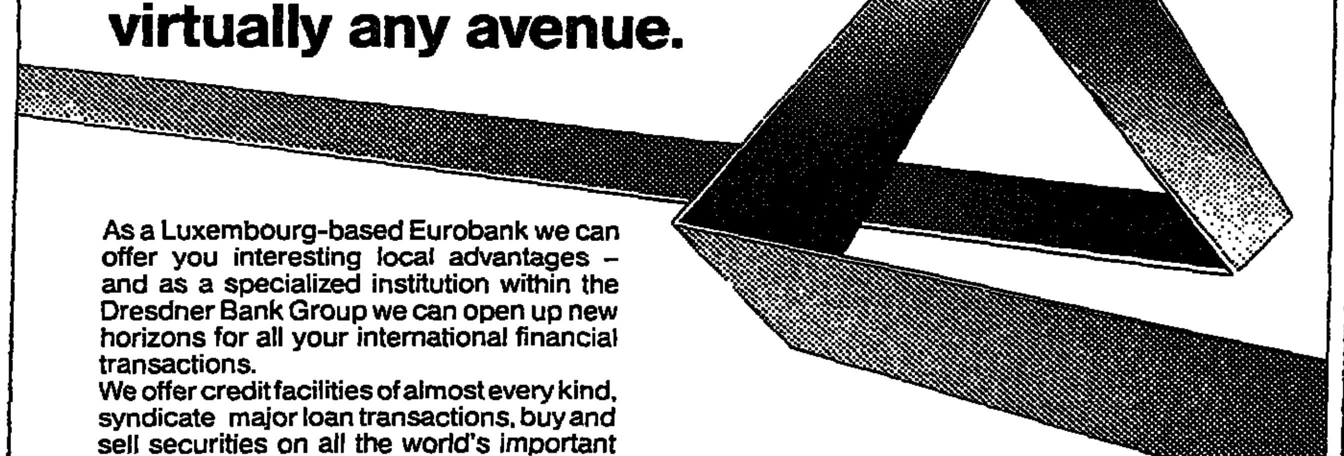
That, say some insurance specialists, is a weakness of the Luxembourg system because it does not take into account the possibility that the management philosophy of captive companies could change once they have become established in Luxembourg, for example through a change of ownership of the parent company.

Another potential weakness from the perspective of Luxembourg itself is that it is not at all clear how much the captives will bring in the way of tangible business to the existing financial community. Captives have to manage their funds in Luxembourg, and day-to-day decisions are often left in the hands of specialist companies.

Insofar as these companies are taking their instructions from a corporate treasurer in another country that could mean that the actual financial business involved is transacted far away from Luxembourg.

Many people in Luxembourg see the insurance industry there as in the same position as banking was 20 years ago. The scope for expansion is there, but obstacles remain great. The domestic market is small and 44 companies have to parcel out just LFr 6bn in annual premium income. Direct insurance may not be done internationally out of Luxembourg because of EEC legislation, and that inhibits reinsurance business as well.

The European Court of Justice is now considering the direct insurance issue and a decision is expected in the spring. For Luxembourg's future as a more general insurance centre a lot depends on the way that decision goes.



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SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Monday December 2 1985

Swaps potential yet to strike investors

AS WITH an iceberg, there is a lot more to the Eurobond market than appears on the surface, writes Maggie Urry in *London*.

Most borrowers end up with funds in a different form from the bond they issue. Does Walt Disney really want Ecu 62.5m with an odd maturity? What would Nordic Investment Bank or Swedish Export Credit do with yen other than swap it?

This game does not work only for borrowers. Investors can join in, too. Italy's $500m floater last week was an example. The issue was regarded as tightly priced compared with other Italy paper and was trading just within the gross fees on Friday afternoon. But, some traders argue, investors had not taken full account of the fact that it is non-callable for seven years, a rarity in the floater market these days. Call options stop investors swapping their holdings because there is the chance that the borrower will redeem the issue, ruining the swap.

With the non-call feature and the issue's $500m size ensuring liquidity, as well as the high quality of the sovereign risk, investors can use the bonds for swaps and arbitrage. For example, a company which has issued a fixed-rate bond and swapped it for floating rate money well below London interbank offered rate (Libor), can pick up yield by reinvesting in the Italy deal.

A big institutional investor wanting a large, but very liquid position, in the fixed-rate bond market could buy the Italy floater and swap it into a fixed-rate bond getting the same return as many fixed-rate deals, but with greater marketability.

The deal can also be used to create a capped floater. These floaters, which have a maximum rate of interest, give investors a better return than ordinary floaters, while giving the issuer a cost well below Libor. However, they have proved more difficult to deal in than the Italy issue should be. An investor could buy the Italy bonds and sell a cap to increase his return.

Another of last week's deals offering investors swap opportunities was the CSR issue with "option bonds" to buy the company's shares. The option bonds were trading on Friday at around $21½ while the bonds were quoted around $78½. The option bonds can be sold to professional investors in Australia, and will eventually be listed on the Sydney Stock Exchange.

EUROMARKET TURNOVER
Turnover ($m)

Primary Market	Straights	Conv	FRN	Other
US$	4,098.0	—	5,316.5	255.5
Prev	6,328.2	—	2,626.3	233.5
Other	1,227.4	—	1,409.6	11.6
Prev	788.8	—	0.5	25.5
Secondary Market				
US$	27,747.5	1,062.5	12,826.4	2,539.4
Prev	22,026.4	958.9	12,382.8	3,547.7
Other	4,798.4	69.3	1,188.5	1,855.6
Prev	4,579.2	127.6	528.9	1,996.7

	Cedel	Euroclear	Total
US$	15,904.6	37,941.2	53,845.8
Prev	15,039.0	33,064.9	48,103.9
Other	5,544.8	5,010.6	10,555.4
Prev	4,537.2	3,510.1	8,047.3

Week to November 28 1985 — Source: AIBD

Meanwhile, the non-callable bonds are yielding more than US Treasuries, and a sizeable investor can swap them to get a margin of a half point over Libor, with the only added risk being the credit of the counter-party.

"People just have not been thinking," said one trader while another added, "It takes time for people to realise just what they can do with these."

Eurodollar retail investors are beginning to realise that US corporates are not quite the glamorous borrowers they once were. The problems at Texaco, whose bonds have fallen sharply in the last couple of weeks following the court ruling against it, have demonstrated only too clearly that household names are not necessarily the best investment.

Research by Merrill Lynch shows that investors as a whole have been shifting away from corporate issues and relative yields have changed significantly. Whereas 18 months ago US corporates could borrow more cheaply even than supranationals, now the positions have been reversed.

Part of the trouble, says Merrill, has been the worsening of balance sheets caused by takeover activity in the US, which has meant that companies' debt has been downgraded. The change may have started with the big institutional investors but is now reaching through to the retail. The development may also explain the popularity of last week's deal for Olympia & York Maiden Lane. Investors were offered a good yield, a price below par, seven-year call protection, and the security of some Manhattan real estate.

Deal of the week in the Eurodollar market was Banque Française du Commerce Extérieur's floater issue with warrants that pay a coupon. Unlike other recent long-life warrants these can be exercised without surrendering the host bond, a feature that will enable market makers to trade them happily.

The fixed-rate D-Mark market seems largely to have recovered from its miseries and has a reasonable sized calendar for December. The first two deals were launched on Friday, both meeting a fair response.

Floaters are another matter, and traders are dreading the weight of DM 1.775bn due this month from eight issues.

The Swiss franc foreign bond market is also in more confident mood, with prices up by about ½ point over the week, and new issues are continuing to be launched. The deal for the European Investment Bank is meeting good demand.

Murdoch gives terms of plan to refinance 'junk bond' debt

MR RUPERT MURDOCH, the Australian-born publisher and media group chief, has announced the terms of the $1.45bn refinancing of the "junk bond" debt he inherited as part of his $2bn acquisition of seven US television stations from Metromedia, writes William Hall in New York.

Many details, however, are still unexplained.

Holders of the $1.45bn bonds issued by Metromedia Broadcasting, *which Mr Murdoch assumes on taking* over the TV stations, will be offered cash and/or shares of increasing rate exchangeable guaranteed preferred stock of News America Television, an indirect subsidiary of Mr Murdoch's Australian-based News Corporation.

Since November 1984, when Metromedia issued its "junk bond" paper – securities that are not rated investment grade by the credit rating agencies – long-term US interest rates have fallen by more than 150 basis points. Mr Murdoch has been known to be anxious to refinance the Metromedia debt in order to cut his financing costs and gain flexibility.

The Metromedia debt carries an annual interest charge of about $130m, which is believed to be considerably more than the cash flow from Mr Murdoch's new TV stations. In addition, $960m of zero-coupon bonds will fall due between 1988 and 1993 at the rate of $160m a year, which places a sizeable financial burden on the new owners of the TV stations.

The current Metromedia debt is held by between 200 and 300 institutional investors. There has been considerable speculation on Wall Street about the type of security Mr Murdoch is planning to issue to persuade investors to continue holding his paper rather than opt for cash. If all Metromedia bond holders opt for cash, Mr Murdoch will have to find $1.45bn, which would put a considerable strain on his already highly geared balance sheet.

The terms and structure of the new increasing rate exchangeable guaranteed preferred stock is said to be highly unusual, but News America was unable to give any more details last Friday when it announced the prices it was offering for the Metromedia debt.

When it first announced plans to refinance the Metromedia debt in August, News America said the amount of preferred stock to be offered would not exceed 50 per cent of the total value of the exchange offer. To the extent that holders of Metromedia debt fail to take up the preferred stock, News America planned to sell the balance through a public offering.

The new preferred stock will not carry a vote, but if News America misses six quarterly dividends, its holders will have the limited right to elect two directors to the News America TV board.

Apart from the lack of detail about the stock, the refinancing announcement said nothing about Mr Murdoch's plans for financing the deal. News America TV, however, in a filing with the Federal Communications Commission (FCC) said that, after discussions with certain of the Metromedia bondholders, *and Allen & Co and Drexel Burnham* Lambert, it had "reasonable assurance" of the availability of the necessary capital to proceed with the refinancing.

News America is offering to pay between $363.37 and $716.87 for each $1,000 face value of the outstanding zero-coupon notes. It is offering $990 for each $1,000 face value for the senior exchangeable variable rate debentures, $1,058, for the senior subordinated debentures, and $966.875 for the adjustable rate participating subordinated debentures.

The FCC approved News America's acquisition of the TV stations on November 14, and the deal now has to be approved by the Metromedia bondholders. Offering and solicitation documents have been filed with the US Securities and Exchange Commission. It is expected that the exchange offer will begin early in the new year.

Baker deadline forces banks to consider debt pledges

TOMORROW'S meeting of the select group of leading international banks constituting the Baker Initiative Committee has taken on a fresh urgency with news that the US Treasury Secretary wants pledges to his initiative on easing the debt crisis as soon as December 15, writes Peter Montagnon, Euromarkets Correspondent, in London.

This deadline emerged at a meeting of European banks on the initiative hosted by Swiss Bank Corporation *in Zurich last week. It is designed* not only to bring some much needed momentum to the US debt plan but also to coincide with a meeting of the Cartagena group of leading debtors in Uruguay.

Without tangible signs of progress on the debt plan, which calls among other things for banks to lend an additional $20bn to the most heavily indebted countries over the next three years, bankers fear a backlash among the debtors.

The timing of the London meeting of the Baker Initiative Committee is coincidental, but certainly a deadline concentrates the mind. Although the committee itself is unlikely to come up with any pledges, some bankers are now more optimistic that they will start to follow from national groupings of banks shortly afterwards.

US banks have already prepared a draft declaration of collective support for the Baker plan. Among British institutions, however, there is some disagreement on key issues. Here, as in many other countries, any pledges are likely to be qualified and conditional.

One aspect that banks have repeatedly stressed is the need for debtor countries to continue to follow suitable economic adjustment policies. Last week's news from Brazil that it is no longer seeking an International Monetary Fund programme is a setback in this respect. Brazil is also to meet its main bank creditors next week in New York.

All this suggests that the debt issue is to move into the limelight again. By contrast the Euronote and credit market was clearly wind*ing down for the Christmas holi*days last week.

After a flurry of activity 10 days ago few new deals appeared, although Trusthouse Forte, the UK hotel and leisure group, finally announced its long-expected $200m Eurocommercial paper programme. Morgan Guaranty, Orion Royal Bank and S.G. Warburg will be dealers.

Also in the pipeline is a $300m note issuance facility for Weyerhaeuser, the US forest products company, which will be led by Goldman Sachs. The facility carries an annual underwriting fee of 8 basis points and provides for the issue of notes at a maximum yield of 10 basis points over London interbank offered rate (Libor).

County Bank has followed up its £125m facility for the Burton group *with another UK deal in the form of* a £35m, seven-year facility for Co-operative Wholesale Society. Under this facility funds can be raised through short-term bank advances or the issue of bankers acceptances, carrying a 20-basis-point maximum margin or commission respectively. The facility fee is 10 basis points although up to half the facility can be held in reserve for a lower 6¼-point fee and there is an additional 5-point use fee if more than half the back-up is drawn.

Two more banks, Long Term Credit Bank of Japan and Toronto Dominion, have joined the lead management group for the $700m Gaz de France facility. This makes a total of 17 lead managers.

Back on the matter of debt, Mr Ennio Rodriguez, Costa Rica's Debt Minister, has denied that his deci*sion to call a meeting of smaller* debtors in San José next Monday reflects in part dissatisfaction with the services of the three banks – S. G. Warburg, Kuhn Loeb Lehman and Lazard Frères – that have been advising on his country's financial problems. The main difficulty has been the lack of leverage

Strong fourth quarter for BNS

BANK of Nova Scotia, Canada's fourth-largest banking group, lifted net income to C$85.9m (US$62.2m), or 54 cents a share, in the three months to October 31, from C$59.8m, or 38 cents, a year earlier, writes Bernard Simon in Toronto.

Income for the fiscal year ended October 31 rose by 11.7 per cent to C$303.6m. Year-end assets grew by 3.3 per cent to C$61.1bn, and the fourth-quarter return on assets of 0.57 per cent was the highest in nearly two years.

With its large retail base, BNS has benefited significantly from the recent decline in North American interest rates. Interest spreads widened by 21 basis points during 1985. Fourth-quarter interest expenses dropped by 22 per cent to C$1.02bn.

On the other hand, Mr Cedric Ritchie, chairman, said that the cost of carrying non-performing loans "continues to constrain the bank's earnings." Loan loss provisions jumped by 32 per cent in fiscal 1985 to C$319.7m, with actual loan losses climbing by a similar proportion to C$376.3m. Canadian banks' provisions are determined by averaging losses over the previous five years.

The rise was ascribed to the bank's international operations. The Canadian authorities have required higher reserves against loans to 32 Third World and Eastern bloc borrowers. In addition, BNS has established extra provisions for international shipping and North American corporate loans.

US MONEY AND CREDIT

Discount rate speculation refuels bond rally

THE RALLY in the US credit markets extended into its eighth consecutive week last week, bringing a Thanksgiving bonus of further price gains to bond market investors.

Trading was relatively light in the holiday-shortened trading week but, after pausing briefly with a temporary attack of auction-induced indigestion, the rally picked-up steam again mid-week fuelled by continued speculation about an imminent discount rate cut.

Mr David Jones of Aubrey Lanston noted, "apparently the Street's holdings of recently auctioned securities was not as burdensome as some had feared. Investor demands have been spurred in an environment in which the risks of near-term upward pressures on interest rates apear to be very small."

Despite a sticky Fed funds rate, Treasury bill rates edged lower last week while most other taxable short-term interest rates rose by five to 10 basis points.

The decline in long-term yields however continued to outpace the drop in T-bill rates producing a further narrowing in the Treasury yield curve which ended the week at 248 basis points from three-months to 30 years compared to 256 basis points a week ago.

Government bond prices generally posted gains of between ½ and a full point. The new 9⅞ per cent Treasury long week at 99.46, closed on Friday at 100⅜ on a when-issued basis. At that price the new long bond is yielding 9.84 per cent compared to 9.93 per cent at the auction.

The Treasury auction of $9bn in one-year bills last Tuesday brought investors an average yield of 7.53 per cent while the $7.5bn in five-year notes sold the following day produced an average yield of 9.13 per cent.

In the corporate bond market prices generally rose by between ¼ and ¾ points. Medium-term new issue yields were unchanged to 13 basis points lower while long maturities fell by eight to 25 basis points.

New issue volume slipped back slightly last week but, according to Salomon Brothers figures, still produced total November volume of $8.4bn.

Among the new corporate issues launched last week, International Harvester offered $125m of 15-year 14.5 per cent bonds at par, Norwest Financial sold $100m of 10-year 10⅛ per cent notes priced to yield 10.195 per cent. Scott Paper sold $100m of 30-year 11½ per cent debentures priced to yield 11.56 per cent and Texas Eastern sold $100m of 10.7 per cent 10-year notes at par.

After the recent flurry of Treasury auction activity, the US credit markets now have a breathing space before the late December refunding. In the meantime, however, attention is likely to focus again on Congressional wrestling with the balanced budget amendment, the domestic economy, and the Federal Reserve Board's monetary policy.

As Aubrey Lanston's Mr Jones says "The favourable market tone continues to rest primarily on expectations that, at best, economic activity would increase only moderately in the near term. This prospect was underscored with last week's report of a larger than expected 2.1 per cent October decline in new orders for durable goods. There was also news of weak mid-November car sales."

With the Christmas holiday season now officially launched in the US, the credit markets are likely to pay particular attention to the upcoming economic statistics—and particularly to the October leading economic indicators

Once again last week the credit markets brushed aside the delayed announcement late on Friday of a slightly larger than expected $2.8bn increase in M1,

A more lively debate revolves around the question of whether the recent further decline in the value of the dollar might delay a Fed easing move—or already assumes such action. Last week the dollar sank to DM2.50 at one point while sterling reached a 1985 high of $1.49.

Dr Henry Kaufman of Salomon Brothers notes in his latest comments on credit, that the dollar has now fallen 20 per cent aaginst the yen, 14 per cent against the D-Mark and by 10 per cent against sterling since the mid-September G-5 meeting. At the same time the tightening in Japanese monetary policy has boosted Japanese short-term rates by 150 basis points—erasing short-term interest rate differentials favouring the dollar, while yield spreads favouring the US bond market have narrowed to about 300 basis points.

Some Wall Street economists, like Mr Philip Braverman of Briggs Schaedle, believe the dollar's decline "to politically acceptable limits" has set the stage for an easing in overseas interest rates which would allow the Fed to follow suit.

Paul Taylor

U.S. MONEY MARKET RATES (%)

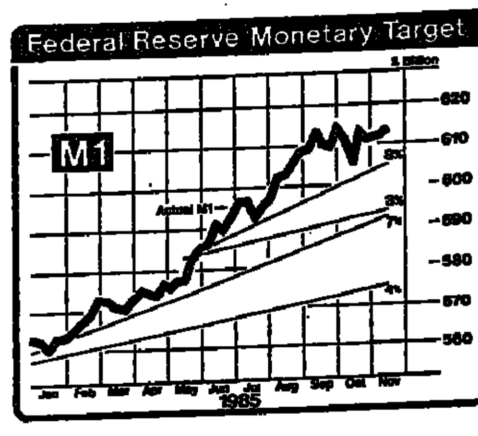
	Last Friday	1 week ago	4 wks ago	—12 month— High	Low
Fed Funds (weekly average)	7.99	7.73	8.03	8.80	7.10
Three-month Treasury bills	7.15	7.22	7.20	8.76	6.67
Six-month Treasury bills	7.25	7.29	7.30	9.20	6.81
Three-month prime CDs	7.90	7.90	8.00	9.40	7.33
30-day Commercial Paper	7.80	7.75	7.80	8.95	6.95
90-day Commercial Paper	7.75	7.70	7.75	9.20	7.00

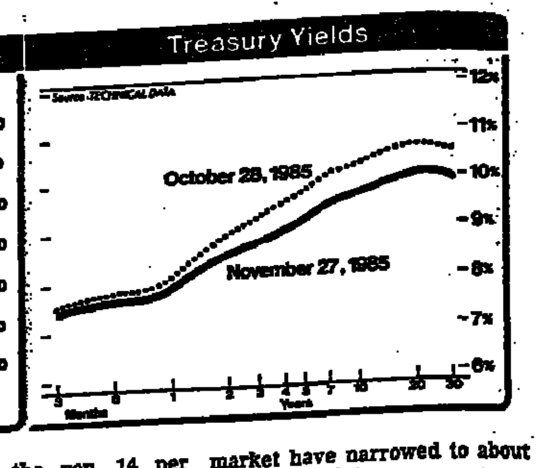
U.S. BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	101½	+⅜	9.45	9.63	9.78
20-year Treasury	105⅞	+1⅛	10.05	10.18	10.38
30-year Treasury	100⅜	(new)	9.84	(new)	(new)
New 10-year "A" Financial	N/A	+⅜	10.38	10.40	10.65
New "AA" Long utility	N/A	+1⅛	10.95	11.10	11.25
New "AA" Long industrial	N/A	+1⅞	10.75	11.00	11.25

Source: Salomon Bros (estimates).

Money Supply: In the week ended November 18 M1 rose by $2.8bn to $616.6bn.





UK GILTS

Convertible issue puts spotlight on options

BIG BANG may still be nearly a year away, but the gilt market is already getting a taste of the more complex techniques which are likely to become an integral part of it in years to come.

Last week's sell-out of a £1bn convertible stock threw the spotlight on the Stock Exchange's developing market in gilt options. As the week ended, attention focused on the long-dated stock to be delivered in record quantities today as the London International Financial Futures Exchange's (Liffe) December futures contract nears expiry.

In the newly-structured gilt market, there will be 29 market-makers instead of the handful of jobbers who currently dominate it. Amid the ensuing cut-throat competition, they are expected to make vastly increased use of hedging mechanisms in order both to offer more sophisticated services to customers and to protect and enhance their own positions.

Last week's convertible issue was the most complex ever, and the first since traded gilt options arrived. Holders of the 10¼ per cent 1989 can convert on one of six dates over the next three years into a 10 per cent 1996 or a 9¾ per cent 2006, or a combination of both.

Though the parallel is not exact, particularly because of the unprecedented dual choice, the investor was offered something similar to out-of-the-money call options on the longer stocks—bets that the market would rise enough to make exercise worthwhile.

Since the minimum tender price of £98.50 was set in line with market prices for conventional gilts, the options were essentially free. The allotment price of £98.75, following over-subscription, meant investors paid 25p for them.

The valuations put on them by brokers, however, varied widely. Some put them at 50p or even lower, others valued them at £1.25. Many felt quoted traded options prices were not a good guide. Whoever was right, the stock sent the market scurrying to its computers more than any previous issue, forcing assumptions to be made about price volatility

The issue also provided trading opportunities. Clients of L. Messel, for example, bought the new stock and took an offsetting short position in the Liffe short gilt contract. Then, having acquired call options from the government at 25p, they were able to sell on the Stock Exchange for 75p a call option on an issue due 2003-07—close enough to the 2006 conversion date.

Arguably, the option sold for 75p is worth less, since it provides the choice of only one issue, than the option bought for 25p, which offers two over a longer period. The overall position leaves scope for profits from a rise in the market while providing cover from a fall.

Gilt futures, meanwhile, have made for much keener and more immediate pricing in the cash market. Until next year's demolition of fixed commission scales, dealing costs for most traders on Liffe are much lower than on the Stock Exchange. This has attracted volume to futures, though it has also discouraged arbitrage between the two markets.

Jobbers, who can already deal cheaply on both exchanges, are already becoming more competitive, flexing their muscles on both floors in anticipation of tougher competition.

Liffe prices at times lead those on the cash market, partly because they move in smaller "ticks." In particular, the market needs to keep a close eye on the price of the cheapest deliverable stock for the futures contract.

On Friday, the 11¾ per cent 2001-04 fell about a point to 109¾ after a record number of delivery notices were given for the December long gilt future. The 2001-04 is currently the cheapest deliverable.

Although the future will continue to trade until December 27, the shape of the yield curve made it logical for longs to deliver on the first possible day—the cost of financing a position being higher than the yield on the gilt.

Notices were given for 3,676 lots, out of open interest at the time of 5,231. So £184m of 2001-04 stock will be delivered by the longs to the shorts today.

Alexander Nicoll

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
AHFC O/S Fin 11¾ 94	100	106½	+0⅛	10.49
AIDC 11 88	75	104	+0½	9.46
AIDC 11⅞ 90	100	101½	−0⅛	11.41
Amer Savings 12 89	125	103⅞	+0¼	10.51
Amer Savings 12¾ 89	100	104¾	0	10.66
Asian Dev Bk 11¼ 93	100	107¾	+0¼	10.37
Australia 11⅞ 90	100	107⅞	+0⅛	9.17
Australia 11½ 95	300	109½	+0⅜	9.94
Australia 11⅝ 98	100	111½	+0½	9.99
Austria 15½ 88	75	112	+0⅛	9.38
Avco Fin 13¼ 91	100	107⅞	+0⅜	11.41
Bk Nova Scotia 13⅝ 87	100	106⅛	+0⅝	9.14
Bank of Tokyo 12⅞ 92	100	108⅛	+0½	10.50
Bank of Tokyo 13⅝ 91	100	114¾	+0½	10.01
Bank of Tokyo 13⅞ 89	100	112⅞	+0⅛	9.65
Bergen Bank 11½ 90	75	102¾	+0⅛	10.82
BP Capital 11¼ 92	150	106¼	+0⅜	9.93
Br Col Hydro 11¾ 93	200	109¾	+0⅜	9.90
Br Col Hydro 12½ 14	200	113⅞	+0½	11.20
Br Col Hydro 12¾ 13	250	114¼	+0⅞	11.16
Britoil Fin 11⅞ 90	125	105⅝	+0⅜	10.33
Caisse Nat En 11¾ 95	125	108¾	+1⅛	10.22
Canada 10⅞ 88	500	105	+0⅜	8.84
Casio Computer 5⅞ 89	80	145	+11¼	−6.04
CBS Inc 11⅜ 92	100	103½	+0¼	10.71
Centrust S & L 0 10	1bn	7⅝	+0½	11.22
Chesebrough 12 93	100	103¼	+0⅛	11.30
Chrysler Fin 13¾ 89	150	107¾	+0¼	11.81
Citicorp O/S 10⅝ 90	100	101⅝	+0⅛	9.87
Citicorp O/S 11¾ 90	100	104⅝	+0⅛	10.60
Citicorp 11¾ 92	100	105⅛	+0⅜	10.56
Citicorp 11¾ 97	200	103¾	+0⅞	11.13
Citicorp O/S 14 94	100	103	−0¼	13.35
CNCA 11½ 92	125	106	+0⅝	10.14
CNCA 13½ 91	100	113¼	+0½	9.97
Coastfed Int 12¾ 88	125	104½	+0⅜	10.03
Coca-Cola 11⅜ 88	100	106½	+0⅛	8.81
Comp Bancaire 13⅞ 90	75	112⅛	+0⅛	10.27
Comsat Int 12⅞ 91	100	104½	0	11.06
Creditanstalt 13½ 91	100	111¾	+0⅛	10.29
Daiichi Kangyo 12¼ 90	100	108⅛	−0½	10.05
Denmark 10⅞ 90	100	102½	+0⅝	10.10
Denmark 11½ 92	100	106⅝	+0⅛	10.12
Denmark 12¾ 92	250	102	+0¼	12.24
Denmark 13 92	100	103	−1⅛	12.25
Denmark 13¼ 91	100	113	+0⅝	10.16
Denmark 13⅞ 88	100	111	+0⅝	9.06
Denmark 14 91	100	110¼	+0¾	11.39
Digital Equip 11⅜ 89	150	105⅝	−0⅛	9.64
Dutch St Mines 11⅝ 91	150	104	+0¼	10.33
Eksportfinans 11⅛ 92	100	105¾	+0⅜	9.96
Eksportfinans 11½ 90	100	105⅛	+0⅛	9.99
Elec de France 11⅛ 93	100	106¼	+0⅞	9.90
Elec de France 12⅝ 87	150	106⅛	+0¼	8.95
EEC 11 87	350	103	0	8.87
EEC 11⅛ 90	100	105¾	+0¼	9.38
EEC 12 93	100	110¾	+0⅜	9.95
Elf-Aquitaine 10⅝ 89	100	102½	+0⅜	9.79
Ericsson L M 10⅝ 88	100	101	−0¼	9.81
Euro Inv Bk 11½ 90	200	107⅝	+0¼	9.56
Euro Inv Bk 11⅝ 91	73	105⅝	+1⅛	10.28
Euro Inv Bk 12½ 90	100	110⅜	+0¾	9.54
EDC 9⅞ 88	200	101⅞	0	9.21
EDC 10 88	125	102	+0¼	8.96
EDC 10⅜ 88	100	103⅝	+0¼	8.78
EDC 11⅛ 89	150	105	+0⅜	9.22
EDC 12 89	100	108⅛	+0⅜	9.34
EDC 13¾ 87	100	107⅛	0	8.84
Fed Dept Store 11 90	100	104⅞	+0⅝	9.51
Finland 11½ 88	100	104½	+0⅜	9.06
Finland 12¾ 94	75	111¾	+0⅜	10.29
Finnish Export 12⅜ 87	75	106⅝	+0¼	8.83
Firstfed Mich 1 13¼ 89	125	107⅛	+0¼	10.71
Florida Fed 12⅛ 89	100	104⅝	+0¼	10.78
FNMA 11½ 91	300	104⅜	+0½	10.48
Gen Elec Cred 0 93	600	38⅞	+0⅞	9.31
Gen Elec Cred 9¾ 91	100	101	+0⅛	9.49
Gen Elec Cred 10⅜ 90	200	102¼	−0⅜	10.06
Gen Elec Cred 11 91	200	104½	0	9.83
Gen Elec Cred 11½ 87	200	104⅜	+0¼	10.87
Gen Elec Cred 12 94	200	107⅞	0	10.59
Gen Foods Cap 11½ 90	75	105⅞		9.97
General Mills 12 91	100	105⅞	−0¼	10.63
GMAC 10 88	200	101⅞	+0¼	9.00
Gen Motors Acc 10½ 90	200	102½	0	9.72
Gen Motors Acc 11⅜ 90	100	104⅞	+0⅛	10.03
Gen Motors Acc 13 86	200	103⅞	+1½	5.55
GTE Finance 12 96	75	102⅛	−0¼	11.61
Gulf Oil 10⅝ 94	100	99	0	10.43
GZB 14 91	100	113⅞	+0¼	10.55
Holl Air Fin 12⅞ 91	100	104⅝	−0⅜	11.04
Household Fin 11⅝ 92	100	104	−0½	10.69
IBM 9⅝ 88	200	101½	+0½	9.42
IBM (WTC) 10⅝ 89	300	102¾	+0¾	9.99
IBM Credit 11 89	100	104⅛	0	9.71
IBM Credit 13⅞ 87	100	101⅞	0	13.43
IBM 12¼ 92	200	110⅜	+0½	10.06
Ind Bk Japan 10¾ 92	100	103⅛	+0½	10.03
Ind Bk Japan 10⅞ 95	100	103⅛	+0¼	10.32
Ind Bk Japan 11½ 89	125	105⅝	+0¼	9.38
Ind Bk Japan 11⅞ 91	100	109¼	+0¾	9.77
Ind Bk Japan 13⅞ 91	125	115	+2	10.19
Int-Amer Dev 12¾ 91	150	111⅜	+0⅜	10.02
Int-Amer Dev 11⅝ 94	200	107½	−1⅜	10.59
Int Paper 12 91	75	104⅞	+0⅝	10.72
Int Stand Elec 0 97	112	28⅝	+0½	11.71
Int Stand Elec 12 96	75	104	+0¼	11.07
ITT 11½ 89	125	105¼	−0⅛	9.85
ITT Fin 12⅞ 94	100	106½	−1	11.19
Japan Airlines 12½ 94	70	110⅞	−0½	10.48
Japan Dev Bk 11⅞ 91	100	107¼	−0⅜	10.19
Kellogg Co 10⅞ 90	100	103¾	+0¼	9.71
Kellogg Co 11¼ 92	100	105⅛	+0¼	10.02
Kimberley-Clark 12 94	100	110½	+0⅜	10.16
Kyowa Fin HK 12⅞ 90	100	109⅞	+0¼	9.98
Long Term Cred 10⅜ 90	100	103⅝	+0½	9.68
Long Term Cred 11 90	100	104⅛	+0¼	9.71
Long Term Cred 11⅞ 89	100	106½	+0½	9.47
Long Term Cred 12 90	75	106¾	+0⅛	9.97
Long Term Cred 12 93	100	110¼	+0¼	10.01
Macy R H 11¾ 91	100	102⅜	+0¼	11.10
Macy R H 11¾ 95	100	101½	+0⅜	11.46
Marubeni 11⅜ 91	75	103	0	10.67
McDonalds Fin 11⅝ 94	100	105⅛	+0½	10.54
Merrill Lynch 12½ 94	100	103½	−0½	11.84
Minebea 6⅝ 93	100	148	−0½	−6.12
Mitsubishi 5⅝ 88	100	116⅜	−12⅛	0.23
Mitsubishi Cp 10¼ 92	100	102⅜	0	9.95
Mitsubishi Cp 10⅜ 95	200	102	+0⅞	10.26
Mitsubishi Cp 12½ 91	100	111⅜	0	9.74
Mitsui Eng 7⅝ 88	50	101⅝	−0⅝	6.51
Mitsui Fin 12⅜ 92	100	101¼	+0¼	11.93
Mitsui Tst Fin 12 91	100	108⅞	+0¼	9.72
Mobil Corp 10¼ 90	200	99⅞	−1⅛	10.72
Montreal City 12½ 91	70	107¼	−0¼	10.49
Mgn Guaranty 12¼ 89	150	107½	+0¼	9.52
Morgan J P 11¼ 92	100	105½	+0⅞	10.00
Mount Isa Fin 13⅜ 87	100	106¼	0	9.35
Ned Gasunie 11¾ 90	75	105⅛	−0½	9.87
Ned Gasunie 11¼ 91	75	105⅝	0	9.81
N Eng Lf Mtg 11¾ 95	149	107⅛	+0⅝	10.49
Newfoundland 13 91	75	108⅜	+0⅜	10.74
Nippon Crd Bk 13⅞ 89	100	112	+0⅜	9.73
Nippon Tel Tel 11⅜ 90	100	107½	+0¼	9.13
Nippon Tel Tel 13⅝ 94	150	113	0	10.56
Nissho-Iwai 6½ 89	70	101	−2½	6.13
Nomura 6⅝ 88	100	153⅞	+3⅜	−8.95
Nova Scotia 11¾ 91	100	104¾	+0¼	10.59
Nova Scotia 11⅜ 98	100	106⅛	+0¾	10.73
Oester Post 12¾ 89	75	108¾	+0¼	9.76
Ohbayashi-Gumi 7¾ 89	50	157	+23½	−6.73
Ontario Hydro 11⅜ 94	200	109⅝	+0¼	9.84
Ontario Hydro 11¼ 90	200	108¾	+0⅞	9.40
Ontario 12½ 94	250	112⅝	−0⅜	10.47
Pacific Gas & El 12 00	75	105¾	+0¼	11.23
Penney J C 11⅞ 90	100	104⅝	−0¼	10.60
Penney J C 12¾ 91	100	108⅝	+0¾	10.67
Philips Petrol 14 89	200	103¾	+0⅛	12.69
Postipankki 11½ 90	75	103½	+0⅛	10.05
Post-Och Kred 13½ 87	50	106¼	0	9.21
Privatbanken 12¾ 95	100	99	0	12.92
Prudential Ins 12¾ 87	150	106⅛	0	9.02
Pru Rlty Secs 0 99	365	28⅝	+0⅛	10.00
Pru Rlty Secs 11⅞ 92	386	106	0	10.00
Pru Rlty Secs 12⅛ 95	546	109⅛	+0⅜	10.43
Quebec Prov 12¾ 94	150	108⅜	+1⅛	10.34
Queensland Gvt 11⅜ 89	100	106⅜	+0⅛	9.40
RBC 12¾ 90	100	102	0	12.08
Rural Bk Aust 12 91	50	104⅞	+0⅛	10.70
Sanwa Bank 11⅞ 92	150	107	+0⅜	10.05
Saskatchewan 10¾ 92	100	104¾	+0⅝	9.68
Saskatchewan 10⅜ 90	125	104⅛	+0⅛	9.36
Saskatchewan 11⅞ 88	100	106⅛	+0½	9.32
Saskatchewan 15 92	150	122	+⅞	10.27
Saskatchewan 16 89	125	117⅛	+0⅝	9.63
Scot Intl Fin 14⅝ 95	50	113	−0½	11.98
Scot Intl Fin 14⅛ 96	50	29	+0⅜	10.31
Sears O/S Fin 0 98	500	103⅜	+0⅜	9.67
Sears Roebuck 10⅞ 91	150	107⅜	+0½	9.66
Sears Roebuck 11⅝ 91	150	108¾	+0½	10.03
Sec Pacific 12 92	100	105⅛	0	11.08
Shearson/Amex 12½ 94	100	113⅝	+0½	11.25
Shell (Canada) 14⅝ 92	125	106⅝	0	10.51
Signal Comps 11¾ 92	125	101⅝	+0⅛	9.85
Standard Oil 10½ 89	150	106⅛	0	8.97
Statoil 12 88	100	100½	+0⅛	10.49
Sumitomo Corp 10⅝ 92	100	107	+0⅜	10.16
Sumitomo Fin 11¾ 92	150	110⅜	+0⅜	10.05
Sumitomo Fin 12¾ 91	150	108½	+1	10.54
Sumitomo Trust 12½ 92	100	106⅝	+0½	9.44
Sweden 11½ 89	200	108⅛	+0⅜	9.43
Sweden 12⅞ 89	200	103	−0⅛	10.18
Swedish Export 10¾ 88	100	105¼	+0⅛	9.48
Swedish Export 11½ 89	100	0		
Swedish Export 12¾ 89	100	106½	0	10.23
Taiyo Kobe 11⅞ 90	100	107⅜	+0⅛	10.06
Taiyo Kobe 12 90	100	104⅞	+0¼	9.60
Tenneco Corp 11½ 89	150	96⅞	−3¼	11.36
Texaco Capital 10½ 90	200	100⅞	+0¼	10.33
Texaco Capital 10½ 93	200	104⅞	−2½	11.73
Texaco Capital 13½ 89	200	104⅝	−0¼	10.66
Texas Instru 11⅞ 91	150	109⅞	+1	9.71
Tokai Asia 12¼ 91	100	100⅛	−0⅛	6.44
Tokyo Electric 6½ 89	70	108⅞	−0⅛	10.30
Tokyo Elec Pr 13⅜ 89	100	102	+1	10.65
Toray Inds 11⅛ 92	50	106⅛	−0¼	10.30
Toronto-Dom 12⅝ 89	50	108½	+0¼	10.59
UBS 12¾ 91	100	105⅛	+0½	10.07
Utd Tech 11⅜ 92	150	182	−1½	−1.51
Veba 8 93	70	105⅜	+0¼	10.38
West LB 11⅞ 90	100	108½	+0⅜	10.76
Westpac 12⅝ 92	41	103⅜	+0¼	10.69
Weyerhaeuser 11½ 90	60	105½	+0⅜	9.76
World Bank 11 92	300	106⅜	+0⅛	9.48
World Bank 11¼ 90	200	105⅝	+0½	9.22
World Bank 11⅛ 89	200	111¼	+0½	9.84
World Bank 12 93	200	112½	+0⅜	10.07
World Bank 12¼ 94	150	115	+0½	10.19
World Bank 12⅞ 94	200	107¼	+0¼	9.70
[illegible] 89	100	100⅛		8⅞

FLOATING RATE NOTES	Issued	Price	Chg. on week	C.cpn
United Kingdom O	3bn	99⅞	0	8⅛
Wells Fargo MM ¼ 96	50	99⅜	−0⅛	8⅝
World Bank [illegible] 94	250	99⅞	0	7⅞
Yorkshire Int ⅛ 94 £	75	100⅛	0	11⅜

CONVERTIBLE BONDS	Issued	Price	Chg. on week	Prem.
Ajinomoto 3 99	120	125⅞	−2⅝	
Best Denki 5⅞ 97	15	187	−0¼	−1.96
Canon 7 97	50	218½	−6½	−3.61
Daiwa Secs 5½ 98	60	213	+6	−0.03
Dev Bank Sing 5½ 98	70	74	+1	7.31
Elders 11½ 94	160	107⅛	+0⅛	47.56
Elektrowatt 5 98	52	122	+1½	−6.52
Fujitsu 3 99	180	99⅛	−0⅝	3.03
Intec Inc 3 99	50	98	+5¾	22.31
Kumagai Gumi 3½ 00	80	167	−2⅞	−3.34
LASMO 9¾ 99	44	97½	−1⅛	30.85
Moet-Hennessy 7 99	50	133⅛	+8⅞	−2.11
Murata Mfg 3½ 00	100	119½	−1½	−1.89
Nippon Oil 3¾ 99	50	91½	+0⅛	−0.89
Ono Pharm 3¾ 98	60	93½	+5¾	−0.16
Soc Gen Surv 4½ 94	51	141⅛	+0⅞	109.25
Sumitomo Corp 2⅞ 99	70	133⅛	−0½	−0.82
Texaco Capital 11⅞ 94	1bn	101⅞	−3	62.35
Texaco Capital 11¾ 94	500	101¾	−3	
Tsugami Corp 3¼ 00	20	89	+6	−1.42
Yamaichi Sec 3¾ 95	20	155	−2	−1.26

YEN STRAIGHTS	Issued	Price	Chg. on week	Yield
Asian Dev Bk 7⅛ 94	15	103¾	+1	6.84
Avon Products 6¾ 91	25	99⅞	+0⅞	6.77
Denmark 6⅝ 92	20	99⅞	+1	6.77
Dow Chemical 7 94	50	102⅜	+1⅛	6.64
EDF 6⅞ 95	20	101⅛	+1	6.70
Eurofima 7⅛ 94	10	103	+1	6.88
Eurofima 6⅝ 92	10	100	+0⅛	6.73
FNMA 6⅞ 92	50	100¾	+0⅝	6.82
GMAC 6½ 90	25	101⅛	+1	6.18
Intel 6⅝ 92	13	97⅞	+0⅝	7.11
Int-Amer Dev 7½ 94	15	103⅜	+0⅞	7.01
Int-Amer Dev 7⅞ 93	15	103	+0½	7.36
ITT 6¾ 92	20	100½	+1⅛	6.64
McDonald Corp 6½ 92	25	100⅜	+1⅛	6.34
New Zealand 7⅛ 90	15	102⅜	+0⅞	6.55
New Zealand 7⅝ 89	15	103½	+0⅜	6.54
Pacific Gas & El 7 94	20	102½	+1¼	6.61
Penney J C 6¾ 92	26	100¼	+0⅞	6.69
Procter 6⅝ 92	25	101⅜	+1⅛	6.29
Sallie Mae 6⅝ 92	25	99	+1⅛	6.82
TRW 7 94	15	101	+0⅜	6.85
Utd Technology 6⅝ 92	25	101⅜	+1	6.34
World Bank 7 94	20	101¼	+0⅜	6.79
World Bank 7⅜ 93	20	104⅛	+0⅜	6.91
World Bank 8 93	20	106¼	+0⅜	6.87

LUXFR STRAIGHTS	Issued	Price	Chg. on week	Yield
ASEA 9¾ 89	600	101⅞	0	9.17
Eurofima 10 94	600	104⅜	−0⅛	9.26
E Coal & Steel 10½ 94	1bn	105¾	−1⅛	9.24
Euro Invest Bk 10½ 94	1bn	108⅜	0	9.35
World Bank 10¼ 89	1bn	103⅞	−0⅛	8.89

GUILDER STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 8 89	200	105⅝	+0¼	5.92
ABN 7¾ 89	150	106¾	+0⅜	6.05
Amro Bk 7¼ 89	150	102¼	+0⅛	6.45
Amro Bk 8 89	200	104	−0⅛	6.59
Bk Mees & Hope 8¼ 89	100	106⅜	0	6.06
Beatrice Foods 8⅞ 89	100	105⅜	−0⅞	6.44
C C Rabo 8 89	150	105¼	+0⅜	6.21
Denmark 8½ 91	100	108⅛	+0⅛	6.61
Int Stand Elec 8½ 89	100	105	0	6.36
New Zealand 8⅝ 89	100	105⅜	−0⅛	6.40

CANADIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Amex 12⅞ 91	50	110⅝	+0½	9.94
Aust Resources 11⅝ 92	50	105	+0⅜	10.47

BOND WARRANTS	Expiry date	Price	Chg. on week	Ex yield
Aegon Ins 11⅛ 91	14/2/88	43⅞	−2⅞	10.22
Coca-Cola 11⅜ 91	28/11/88	67⅛	−4⅛	11.10
Commerzbk 13⅜ 91	17/7/88	113⅜	−1⅛	10.79
Du Pont 13¼ 89	26/8/86	91⅞	−0⅜	10.14
Eksportfinas 13⅛ 89	15/9/87	93½	−2½	10.13
Gen Elec 12⅞ 91	7/8/87	79½	0	10.77
Ind Bk Jpn 12⅞ 91	5/10/89	86½	−3	10.58
Inv In Ind 10½ 91	1/12/88	85	0	10.11
McDnlds F 11¾ 94	6/1/89	65⅜	−2⅜	10.07
Oester Lnbk 13⅞ 89	9/8/87	92⅜	−3⅞	10.31
Texaco Cap 12⅞ 92	1/9/87	57⅜	0	11.57
Trnto Dom 12⅛ 91	5/4/88	81½	−3⅞	10.56

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate († three-month; § above mean rate) for US dollars. C.cpn=current coupon.
CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.
† Perpetual.

Closing prices on November 29.

هكذا من الأصل

INTERNATIONAL COMPANIES and FINANCE

WEST GERMAN BANKING

Strong domestic growth boosts loan volume

AT FIRST SIGHT it looks like *a tale of two hares and a tortoise.* Two of West Germany's "*big three*" *banks have just* announced very sharp increases in *operating profits and plan to* boost their dividends. The biggest. Deutsche Bank, reports a slower profits rise than the other two and may not increase its payout. But the conclusion to be drawn is not as obvious as *it* might seem.

The key point is that all three banks (and certainly a lot of smaller ones too) are making record earnings this year, thanks to an exceptionally *favourable business environment.* True. interest margins—the difference between *interest* earned and paid have fallen a bit. But with stronger domestic economic *growth* (combined with a falling inflation rate) the *banks have been able to* raise credit volume. so that *profits from interest business* overall have increased against last year.

At the same time the share and bond markets have been *booming, so banks have been* piling up earnings from com*missions and from their own*-account trading.

Thus for the whole year the Dresdner group looks set to raise operating profits to at least DM 2.5bn ($996m) from just over DM 2bn in 1984, while the Commerzbank group should achieve some DM 1.5bn after more *than DM 1bn before.* Parent bank figures alone are *likely to be up by more than* one third.

Precise details are hard to come by because German banks are notoriously coy about revealing their operating profits, which are struck before tax and risk provisions. But it is none the less fair to describe the *growth rates of both Dresdner* and Commerzbank as nothing short of spectacular.

Both banks are able to add markedly to their already copious risk provisions—especially for foreign country lending, and to raise their dividends by an unspecified amount, the *Dresdner from 15 per cent and* the Commerzbank from 12 per cent.

In that context Deutsche's *performance initially looks less* impressive. The parent bank operating profits were up by "only" 8.1 per cent in the first 10 months of this year (compared with five sixths of the full 1984 result) and the group figure rose more *slowly still.* Even if there is a late burst, *the growth rates will still re*main well below those of the Dresdner and Commerzbank.

There are several qualifications to be made. The first is that this is the ninth year in a row that the Deutsche has raised operating profits. Last year both Dresdner and Com*merzbank reported cuts from* the record 1983 results, and both banks suffered major earnings problems at the start of the decade. Even with its relatively low growth this year, the Deutsche group is likely to *record an operating profit of* around DM 4bn—that is roughly *as much as its two rivals com*bined.

While Deutsche's interest surplus rose by only 0.9 per cent in the first 10 months to DM 3.5bn (compared with the Dresdner's 3.3 per cent to DM 2.1bn and Commerzbank's 5.5 per cent to DM 1.6bn), its *interest margin is still only* slightly below 3 per cent. Dresd*ner's margin has stabilised* at 2.6 per cent since mid-year and Commerzbank's is 2.52 per cent.

At the same time Deutsche has been notably successful in pushing the "merchant banking" side of the business, raising profits fro mcommissions by 18.3 per cent to DM 1.2bn. The *Commerzbank result jumped by* no less than 24.2 per cent but to a figure about one half that of Deutsche (*DM 664m*) while the Dresdner figure rose by 13.2 per cent to DM 802m.

Second, Deutsche's dividend *is already 24 per cent and the* bank has just carried through a 1-for-15 rights issue with the new shares eligible for the full 1985 payout. Moreover. that capital increase pulled in more than DM 1bn in funds, meaning that Deutsche has already met the tougher capital-to-lending *ratio specified in the newly re*formed German credit law.

Neither of the other two banks has yet done so, though Dresdner is on the verge of it and there is a transitional period until 1991 before the ratio has to be respected in full. But Deutsche is now unusually *well placed to pounce on new* ness opportunities, without having to delay for long to consider the impact on the capital-lending position.

Jonathan Carr

Daim to sell half of 40% UMBC stake

By Wong Sulong in Kuala Lumpur

MR DAIM ZAINUDDIN, the Malaysian Finance Minister, is to sell half of his 40.7 per cent holdings in United Malayan *Banking Corporation, the third* largest local bank, to Raleigh Berhad. a publicly listed company, which is controlled by his family.

The 20 per cent stake in UMBC, amounting to 27.79m shares. *plus nearly 6m ringgit* in unsecured loan stock, is to be sold for 141.7m ringgit.

This is about the same price that Mr Daim paid for the shares a year ago. taking into account interest charges. Mr *Daim purchased the 40.7 per* cent stake from Multi-Purpose Holdings for 262m ringgit.

The transfer of a 20 per cent stake to Raleigh is seen as part *of a continuing exercise by Mr* Daim to rationalise his extensive business interests following his appointment as Finance Minister in July last year.

It is not certain what he will do with the remaining 20.7 per *cent of UMBC. Under new* directives imposed recently by Bank Negara, the central bank, an individual or family is allowed to own not more than *10 per cent of a bank in the* event of restructuring of its equity. Corporations can hold up to a maximum of 20 per cent.

Sumitomo lifts threat to Sanko

BY YOKO SHIBATA IN TOKYO

A *CRISIS* at *Japan's Sanko* Steamship was averted at the *week-end* when Sumitomo Corporation, a trading house which is a major creditor, lifted its threat to withdraw small bulk carriers leased to the financially *struggling tanker operator.*

The move follows a decision by the custodian working out Sanko's rehabilitation under court protection to require the company to pay half the interest on chartering fees due *in November* and owed to Sumitomo and eight other trading houses.

Sumitomo had threatened to *withdraw 12 small bulk car*riers, starting with those returning to Japan from the US on December 2, unless Sanko paid the fees by last Friday. This would have scuttled Sanko's rehabilitation *programme,* due to be presented to the Tokyo District Court in early December.

The reconstruction programme calls for the extension *of loans worth Y31bn ($153m)* to Sanko, of which the three major creditor banks — Daiwa Bank, the Tokai Bank, and the Long-Term Credit Bank of Japan, have pledged Y20bn.

But the banks and trading houses have been divided over who should shoulder the reminder.

Mr Tadashi Ito, Sumitomo's president, *said the trading* house could not extend any *financial assistance to Sanko* because it believed that creditor banks should play a key role in its rehabilitation. Mr Susumu Abekawa, Daiwa *Bank's president, said on Friday* that the bank could disburse additional loans to Sanko, if the nine trading houses co-operate in the reconstruction plan.

Japanese construction groups lower

BY OUR TOKYO STAFF

FOUR LEADING Japanese construction companies have reported lower earnings for the half-year to September, due chiefly to intensified competition in private sector office building *and stagnant public sector con*struction.

Tokyo is currently suffering from a shortage of office space, in part reflecting the expansion of foreign financial institutions. In view of this demand, the com*panies stepped up land buying* in the Tokyo metropolitan area, involving heavy borrowings which increased their interest burden.

Taisei and Obayashi see sings of recovery in orders received in the first half, but those for Nishimatsu showed a 24.2 per *cent decline.*

For the current half, the four expect increased orders from the private sector but few additional public works projects.

Full-year profits are expected to be depressed by the heavy interest burden. but a recovery is foreseen from the year starting in April.

JAPANESE CONSTRUCTION COMPANIES

Parent company results, half-year to Sept 85 (Sept 84)

	Sales (Ybn)	Pre-tax profits (Ybn)	Net profits (Ybn)	Dividends* (Y)
Taisei	408 (403)	7.89 (13.63)	4.83 (6.36)	3.5
Shimizu	454 (419)	11.69 (13.58)	5.17 (5.15)	4.5
Obayashi	388 (356)	10.04 (10.17)	3.92 (4.14)	3.0
Nishimatsu	110 (115)	4.87 (4.85)	1.80 (1.99)	—

* All dividends unchanged

Reduced loss for Hudson's Bay Company

By Bernard Simon in Toronto

HUDSON'S BAY COMPANY, the debt-burdened Canadian retail, real estate, and fur trading group, reduce its losses to *C$113.7m (US$82m) or C$5.43* a share, in the nine months of September 30 from C$166.4m, or C$7.67 a share, a year earlier. The latest period includes a C$3.7m gain from asset sales. A C$74.3m improve*ment in operating income* was offset by an increase in interest charges of C$45.6m to C$191.7m. Revenues rose from C$3.25bn to C$3.5bn.

The company, controlled by the Thomson family of Toronto, expects an improvement in fourth-quarter results stemming from higher earnings from its real estate subsidiary, Markborough Properties, and strong Christmas retail sales. It points to some improvement *in the troubled retail division,* whose department stores have been the biggest millstone around Hudson's Bay's neck. Merchandise trading results have turned from a loss of C$65m to a small profit of *C$2.4m.*

Hudson's Bay announced a C$100m *rights issue last month* to strengthen its balance sheet. The Thomson family has said it intends taking up its entitlement.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
U.S. DOLLARS							
Toray Industries ¶‡	75	1990	5	5½	100	Nomura Int.	5.500
Gunze ¶‡	25	1990	5	5⅝	100	Nikko Secs. (Europe)	5.625
Italy †‡	500	2000	15	(e)	100	Morgan Guaranty	–
Thailand (f)†‡	300	2005	20	⅛	100	Morgan Guaranty	–
Olympia & York ‡	200	1995	10	10⅜	99¾	Salomon Brothers	10.416
J.P. Morgan (g)†‡	200	1997	12	5bp	100.1	Morgan Guaranty	–
Marine Midland (h)†‡	200	2000	15	¹⁄₁₆	100	CSFB	–
Ajinomoto ¶	60	1990	5	(5½)	100	Nikko Secs. Europe)	•
Ajinomoto ¶	30	1990	5	(5½)	100	Daiwa Secs.	•
Fisher Bros. Fin. Rlty ‡	160	2000	15	10¾	99⅞	Salomon Brothers	10.836
CSR Fin. ¶‡	100	1995	10	7½	100	S. G. Warburg	7.500
BFCE (j) ɸ†‡	270	1998	10¼	4bp	100.05	Société Générale	–
McDonald's Corp. ɸ‡	100	1993	7	10	101⅛	Morgan Stanley	9.711
Philip Morris ‡	300	1989	4	9½	100⅞	UBS (Secs)	9.229
Philip Morris ‡	200	1995	10	10	99⅞	UBS (Secs)	10.020
CANADIAN DOLLARS							
Montreal Trustco ‡	65	1998	12	10¾	100	Société Générale	10.750
NEW ZEALAND DOLLARS							
Olivetti Holdings ‡	50	1991	5	18	101	Morgan Stanley	17.682
D-MARKS							
Minolta Camera §‡	150	1994	8¼	2¼	100	WestLB	2.250
Hoesch Int. Fin. ‡	100	1995	10	7	98½	Deutsche Bank	7.071
DG Finance (c)†‡	300	1998	10	¼	100	DG Bank	–
Copenhagen Handelsbk ¶‡	100	1992	7	5¾	105	Commerzbank	4.889
BHF-Bank Finance ɸ‡	100	1991	5	6¼	100	BHF Bank	6.250
Daikyo Kanko §	120	1991	5¼	(2¾)	100	Commerzbank	•
SCN ‡	150	1995	10	7	100	Deutsche Bank	7.000
Amca O/S Fin. Corp. ‡	150	1992	7	7⅜	99½	Deutsche Bank	7.469
SWISS FRANCS							
People Express §	150	1996	–	(5½)	100	Bqe Paribas (Suisse)	•
Small Bus. Fin. Japan ‡	100	1997	–	5⅜	100	UBS	5.375
Mitsui Mining Co. **¶	60	1990	–	(3)	•	UBS	•
Fermenta **§‡	30	1991	–	4	100	UBS	4.000
NZ Railways Corp. (a)	150	–	–	(5¾)	100	Kredietbank (Suisse)	•
Best Electric Co. **‡	70	1990	–	5½	100	Crédit Suisse	5.500
Rengo Co. **‡	50	1990	–	5½	100	B. del Gottardo	5.500
Tokyo Hotel Chain **§	30	1991	–	(2⅜)	•	Swiss Volksbank	•
Sankyo Aluminium **¶	80	1990	–	(3)	•	B. della Sviz. Italiana	•
EIB	200	1995	–	(5⅜)	•	Crédit Suisse	•
Co Op **	80	1991	–	(6)	•	Fuji Bank (Schweiz)	•
Daikyo Kanko **¶	50	1990	–	(3)	100	UBS	
STERLING							
Citicorp Finance (d)†‡	150	1997	12	10bp	100	Citicorp Int. Bank	–
ECUs							
Neroo Int. Fin. (b)‡	60	1992	7	9⅜	100	Banque Indosuez	9.375
EIB ‡	40	1990	5	8⅝	99¾	BBL	8.689
EIB ‡	60	1992	7	8¾	100	BBL	8.750
Walt Disney Prod. ‡	62.5	1994	7.2	8¾	100¼	Salomon Brothers	8.709
City of Copenhagen ‡	40	1995	8	9	100½	Kredietbank Int.	8.922
FRENCH FRANCS							
Pechiney ‡	500	1991	5	10⅜	99¾	Credit Lyonnais	10.442
LUXEMBOURG FRANCS							
City of Stockholm **‡	300	1990	5	9	100½	BGL	8.872
ECSC ‡	600	1993	8	8½	100½	BGL	8.412
GUILDERS							
Australia ‡	400	2001	10½	7¼	100¼	Amro	7.222
LIRE							
GMAC ‡	75bn	1990	5	13¼	100	BoA Int., B. Naz. Lavoro	13.250
YEN							
Fujian Inv. & Ent. ‡	10bn	1995	9	7.1	100	Nomura Secs.	7.100
SNCF ǁ‡	20.2bn	1995	10	8	101½	Morgan Stanley	7.779
Belgium **‡	10bn	1995	10	7.2	100	Daiwa Secs.	7.200
Nikko Secs. (Asia) ǁ‡	12bn	1995	10	8¼	101½	Nikko Secs. (Europe)	8.026
Nordic Inv. Bank ‡	20bn	1992	7	7	101¾	Nomura Int.	6.679
Sallie Mae ǁ‡	20bn	1995	10	8	101½	Yamaichi Int. (Eur)	7.779

* Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating rate note. ¶ With equity warrants. ɸ With bond warrants. ǁ Dual currency. (a) Coupon refixed every 10 yrs. (b) Extendible to Dec. 1997. (c) ¼ over 3m Libor, max. coupon 8⅝%. (d) 10bp over 3m Libor. (e) Equal to 6m Limean. (f) ⅛ over 6m Libor. (g) 5bp over 3m Libor. (h) ¹⁄₁₆ over 3m Libor. first int. payment 8⅛ minimum. (j) 4bp over 3m Libor. Note: Yields are calculated on AIBD basis.

Saudi Arabian Monetary Agency asks for reports of non-performing loans

BY FINN BARRE IN RIYADH

THE SAUDI ARABIAN Monetary Agency (Sama) has requested the kingdom's banks to report their non-performing loans in an attempt to gather data on a growing problem.

The extent of non-performing loans is estimated by some bankers to be as high as 25 per cent of total lendings. Mr Hammad Sayyari, governor of Sama, has requested that the banks list separately those loans on which no payments have been received for six months and those on which no payment has been received for a year or longer.

The kingdom's 11 commercial banks have more than $15bn in loans to the private sector, while the Government, through the Real Estate Development Fund, Public Investment Fund, Saudi Agricultural Bank, and Saudi Industrial Development Fund, has lendings of more than $43.8bn.

The Saudi commercial banks say that even if the percentage of bad loans is no larger than those in other markets, the problem is worsened by the absence of a legal mechanism for seizing collateral or otherwise enforcing payment. Interest is forbidden by Islamic law, and any debtor can go to court for protection against paying the interest due on a loan.

Saudi banks have raised provisions for bad loans each year since 1982, thus dampening profitability.

• Arab National Bank, meanwhile, reported profits for the nine months to September, as $44.05m, down from $54.13m for the same period of 1984. It increased what it termed "various provisions" to $11.83m from $9.06m

Total assets at the end of the nine months were $2.64bn compared with $2.49bn.

Middle East survey criticises accounting

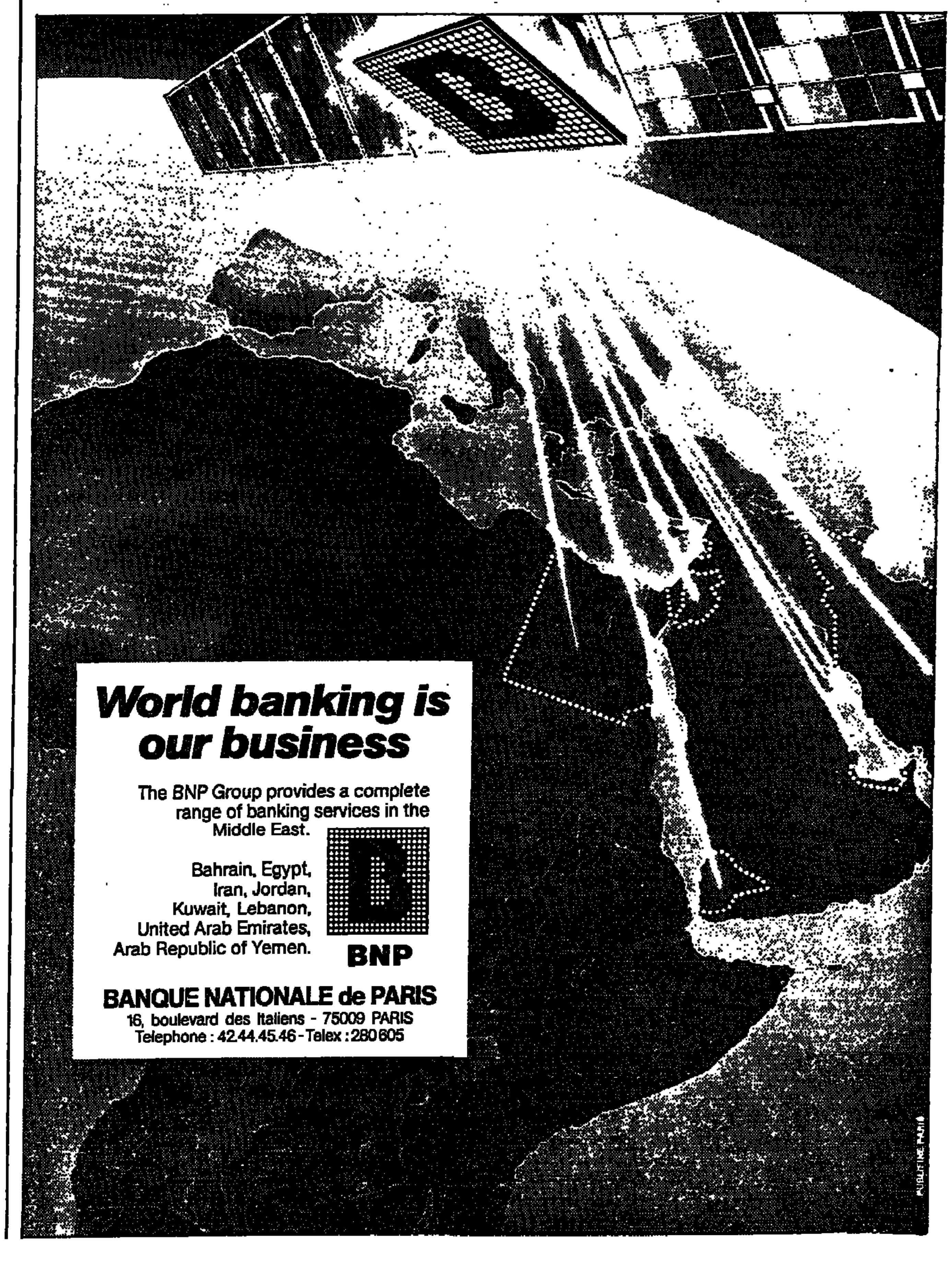
BY DAVID LASCELLES IN LONDON

TOO MANY Middle East financial institutions fail to produce even a basic set of accounts and could hardly be said to have satisfied the needs of shareholders and customers, conclude three partners of Price Waterhouse, the accountancy firm, in a survey of 64 banks in the region.

The best reports came from Middle East-owned banks located in countries like the UK and the US which have a regulated banking environment. These included First American Bankshares, National Bank of Georgia, Saudi International Bank and UBAF Arab American Bank. The two best banks located in the region were United Bank and Gulf International Bank, both in Bahrain.

But generally, banks disclose little about the effects of the regional recession on their business, or the size of their non-performing loans and loan loss provisions.

The report, for Middle East Money magazine, says: "In the Middle East's hardening economic climate, bank lending is becoming less dependent on informal assessment of creditworthiness based on reputation and personal contact, and more dependent on objective assessment of candid financial disclosure in audited annual reports."



SAC Intl. flotation gives £12.4m value

SAC International, a leading design engineering group, today publishes the prospectus for its flotation on the Unlisted Securities Market. *Some 4.4m shares* are being offered for sale at 100p per share, giving the group a market capitalisation of £12.4m.

SAC's main business is supplying design engineering services to a large number of major companies in the UK and overseas, mostly in the aerospace, defence and electronics industries. Customers include Boeing, British Aerospace, Marconi, Plessey and Austin Rover.

Its other activities include the provision of technical support services such as fatigue analysis, project management and technical publications.

The business was founded in 1961 by Mr Roger Smedley, the present chairman and managing director, and two colleagues with whom he had previously worked as an apprentice at the Bristol Aeroplane Company.

Based in Bristol, the group now employs 633 people of whom 486 are design staff and 56 work on technical publications. It operates from six design offices in the UK and six support offices overseas, three in Europe and three in the US.

Pre-tax profits have risen from £26,000 in 1981 to £1.03m in the year to last August, on turnover up from £7.54m to £14.96m. Of the last year's turnover, some 64 per cent came from the aerospace industry *and 46 per cent* from overseas clients.

The directors say it is too early to make a profits forecast for the current year.

Of the £4.4m being raised by the flotation, £2m net will be new money for the company. It intends to use the proceeds to wipe-out bank borrowing of £700,000 and provide working capital for expansion. The group is also planning to invest some £500,000 in computer-aided design (CAD) equipment over the next 12 months.

Some 650,0000 shares are being sold by the three founders *and 1.35m are being sold by* Eibergen, a Dutch investment company which took a 50 per cent stake in SAC in 1980. The issue will reduce Eibergen's holding to 29.1 per cent.

Employees are being given preferential rights to apply for 220,000 of the shares being sold and the group reports a strong response to the offer.

Sponsors to the issue are merchant bankers Hill Samuel and the brokers are Hoare Govett. Dealings begin on December 12.

● comment

The geographical breakdown of SAC's turnover shows a few hiccups—the effects of recession in the UK and Europe, a gap between projects in the US and a one-off contract in South Africa—but the significant point is that at the pre-tax level the group *has achieved solid growth.* Aerospace, to which SAC is heavily orientated, may be a cyclical industry, but it is at the right stage of the cycle, and this gives the group time to pursue the diversification of its client base which has protected it from adverse swings in the past. Its growth prospects are also good, for in a market of which no single company holds more than a 4 per cent share there is ample scope for one to emerge as a dominant force. Without a profits forecast a prospective p/e ratio is pure guesswork, but at least £1.5m must be in sight, putting the shares on a multiple of 14 after a 40 per cent tax charge. On that rating the price looks fair and the shares seem likely to open at a modest premium.

GUS seeking soundly based expansion

Great Universal Stores, the mail order group, continued to seek soundly-based expansion wherever a suitable opportunity became available, Lord Wolfson, the chairman, told the annual meeting.

Pre-tax profits and earnings per 25p stock unit for the six months to September 30 1985—which would be published shortly—were expected to show an improvement over the corresponding figures last year, he said.

The consolidated balance sheet showed stockholders' funds of £1.2bn, to which must be added the revaluation surplus on trading properties—at March 31 1984 this amounted to £290m.

The board was considering the next independent revaluation of properties being made in 1987-88.

Chart Foulks on course for USM

Chart Foulks Lynch, a London-based company which runs professional tuition courses, is joining the USM with a value of £3.4m. Fielding, Newson-Smith is placing 1m shares at 86p, half of which are being sold by the company, and the other half by existing shareholders. The placing represents 26 per cent of the equity.

The company in its present form came into being in 1978 when Chart Tutors acquired H. Foulks Lynch, an accountancy correspondence college established more than 100 years ago. Chart Foulks Lynch now offers full-time, intensive revision, correspondence and "linked" courses for accounting banking and legal examinations, as well as "A" Level courses and a university law degree course.

The courses, which are related to 14 examining bodies, are conducted from six colleges, in London, Birmingham, Bristol, Nottingham, Leicester and *Norwich. Its correspondence* courses, which now account for about 40 per cent of turnover, have been taken by students in more than 100 countries.

The company's clients are mainly accountancy firms, nationalised industries, government departments, and commercial companies as well as individual students. Last year 10,000 students took Chart Foulks Lynch's courses.

Nine out of the 10 board members are accountants, as are all three other senior managers. In addition CFL employs 18 tutors and 42 other full-time staff members.

Turnover has risen from £1.6m in 1981 to £2m last year, while profits over the period have grown from £130,000 to £197,000. In the current year the directors *are forecasting profits of £325,000,* based on an outturn of £257,000 for the first nine months.

At the 86p placing price the shares are on a prospective price-*earnings mutiple of 15 after a* 38 per cent tax charge. The forecast dividend yield in 4.4 per cent.

Headlam Sims reduction in first half

Pre-tax profits of Headlam, Sims & Coggins fell from £92,000 to £67,000 in the half year to July 31 1985, on reduced sales of £3.64m, against £3.98m.

Following the omission of last year's final, the directors say it would be prudent to delay a decision on a resumption of dividends until the full year results *are known.* Last year, the group incurred a pre-tax loss of £108,805 (£305,999 profit) and paid a 1p interim.

The directors report that R. *Coggins & Sons sales and profits* continue to be good and the year end results are expected to be satisfactory.

Cotton Oxford sales have improved *significantly* and *this* company has returned to profit. Although the second half always produces lower sales, the directors say a profit will be made over the year.

At Carter Pocock, losses have been considerably reduced in the first half, but as sales are not yet at a satisfactory level, further action is being taken

F.T. Share Information

The following security has been added to the Share Information Services: Consolidated Freightways (Section: Americans); Davidson Pearce (Paper, Printing, Advertising); Hanson Trust 5.75pc Cnv Cum Red Pf (Industrials); Nationwide Bldg Soc 11¾pc Bds 20/10/86 (Loans, *Building Societies).*

Sarasota profits fall as forecast in first six months

IN LINE with the forecasts in the annual report Sarasota Technology saw profits fall 27 per cent and turnover down by 6 per cent in the six months to the end of *September* 1985. The company's business plan at the year-end showed a conservative first half with healthy growth for the year.

On turnover down from £4.82m to £4.54m for the electronic sensor, transducer and microcomputer company, taxable earn*ings were £752,000 against* £1.04m. Earnings per 10p share fell to 2.55p (3.29p) and the interim dividend was maintained at 0.7p.

Mr Ronald Hooker, chairman of the Hampshire-based company, says that as forecast in the annual statement reduced demand for oil and petrochemical sector products in the US resulted in a weak trading performance.

In the UK traffic products *orders were satisfactory* and orders for instrumentation products improved in the second quarter.

Trading profit came out at £718,000 (£1.05m), to which was added interest receivable of £34,000 (£17,000 charge). The tax charge was £302,000 (£475,000), dividends absorbed a same-again £124,000 and there was no preference dividend against £37,000 last time, leaving retained profit of £326,000, com*pared with £401,000.*

Mr Hooker adds that an overall improvement is expected in the second half.

Rolfe & Nolan in loss

AN EXCEPTIONAL bad debt and higher depreciation costs, following the buying of four new computers, left Rolfe & *Nolan Computer Services* in the red in the six months to end-August 1985.

Turnover improved by 7 per cent from £1.26m to £1.36m but after higher depreciation of £169,000 (£130,000) and a £100,000 bad debt provision the company suffered a pre-tax loss of £25,000, against the comparable £210,000 profit.

Trading profit was also lower at £244,000, against £340,000. In the financial services division sales rose by 22 per cent, but profit fell as a result of higher overheads involved in getting its futures and option accounting system running.

The loss per 10p share for this USM-quoted company came out at 1p, against earnings last time of 5p. As usual there is no interim payment. Last year a final payment of 4p was made from pre-tax profits of £360,000.

In the present half financial services is benefiting from a cut in overheads now that the new system has been phased in. While the level of traditional *commodity-based business* remains static, with uncertain prospects for gaining new ring dealing clients, the directors say that there is increasing demand *from stockbrokers,* banks and institutions trading in financial futures.

Lewmar little changed

IN ITS first interim figures since joining the USM in July this year, Lewmar has produced results little changed compared with the same period last year. In the six months to the end of August 1985 turnover rose from £7.82m to £7.92m and pre-tax profit improved from £1.59m to £1.82m; however, £207,000 of the *gain was from the sale of a* short-term investment.

The figures include the results of Lewmar Marine Systems Inc and Waterford Engineering, both acquired on June 1 1985.

Stated earnings per share for this maker of yachting equipment were 5.1p (4.5p) and, as indicated at the time of the offer for sale, there will be no interim dividend. The directors are confi*dent of being able to recommend* a final payment of 1.54p.

FINANCIAL TIMES STOCK INDICES

	Nov. 29	Nov. 28	Nov. 27	Nov. 26	Nov. 25	Nov. 22	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Government Secs.	83.81	83.95	83.93	83.95	83.98	83.85	84.57	78.02	127.4	49.18
Fixed Interest....	89.38	89.46	89.35	89.34	89.37	88.59	90.38	82.17	150.4	50.53
Ordinary.	1142.9	1133.0	1138.9	1128.5	1146.9	1086.1	1146.9	911.0	1146.9	49.4
Gold Mines ...	285.8	288.9	299.0	306.6	309.4	283.0	536.9	237.9	734.7	43.5
FT-Act All-Share..	696.53	692.64	695.04	693.77	702.06	682.04	703.06	581.88	702.06	61.92
‖FT SE100	1439.1	1429.3	1438.0	1431.9	1455.5	1403.9	1455.5	1206.1	1455.5	986.9

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing Price	+ or −	Net Div.	Times covered	Gross Yield	P.E. Ratio
§110	F.P.	18/12	134	124	✠CheshireW'foods 5p	126	.....	bg3.65	2.0	4.1	16.4
§1/71p	F.P.	—	69	67½	China&Eastn.Inv $0.50	69	.....	—	—	—	—
—	F.P.	—	21½	16	Do. Warrants	21	.....	—	—	—	—
§90	F.P.	5/11	122	98	✠Colorgen Inc. $0.01	108	.....	—	—	—	—
100	50	6/12	64½	52	Cont'l.Assets Tst.175p	54	.....				
§88	F.P.	8/11	96	88	✠Cowells	88	.....	bg2.6	2.6	4.2	12.8
95	F.P.	30/12	109	102	✠*Ealing Electro. 5p*	103	.....	bg2.2	4.3	3.1	10.8
100	50	26/2	49½	49	German Sec. Inv. £1†	49	.....	—	—	—	—
§72	F.P.	29/11	73	65	✠Gibbon Lyons 10p	68	.....	bd39.2	—	7.4	12.4
§57	F.P.	11/12	67	60	✠Hampden Home 10p	62	+2	bg1.5	2.8	5.5	15.0
55	F.P.	20/12	54	52	INOCO 10p	52	...	—	—	—	—
190	F.P.	10/1	206	180	Intl. City Hldgs.	180	.....	u9.0	2.2	7.1	7.4
114	F.P.	10/1	113	97	✠*Magnetic Materials*	105	+5	u2.8	5.1	5.6	9.6
§90	F.P.	22/11	98	91	✠Martin (Ronald) 10p	97	.....	bg3.27	2.2	4.8	15.2
§67	F.P.	22/11	72	67	✠Metsec 10p	69	.....	bg24.8	—	5.1	11.6
§160	F.P.	—	168	165	✠Millward Brown	167	+2	bg2.6	3.6	2.1	19.2
125	F.P.	18/12	145	128	SPP 10p	145	.....	bg4.75	2.3	4.7	13.2
§175	F.P.	22/11	192	173	✠Shandwick 2p	173	−7	u3.68	—	3.0	21.5
§97	F.P.	—	105	101	✠Snowdon & Bridge.	104	.....	bg2.75	3.0	3.8	12.8
§67	F.P.	6/1	74	65	✠SterlingPublish'g5p	70	.....	b2.0	1.9	4.1	16.6
100	F.P.	22/11	100	97	Strata Invs.	98	.....	—	—	—	—
—	—	—	32	29	Do. Warrants	30	.....	—	—	—	—
§118	F.P.	20/12	128	119	✠TMD Advertising 5p	125	.....	ug1.65	3.3	1.8	22.0
¶180	F.P.	20/12	212	195	Underwoods 10p	196	+1	bg1.65	3.0	1.2	38.9
§90	F.P.	—	103	98	✠WYorks.Ind.Hos.50p	92	−1	64.0	1.8	6.2	12.4
§128	F.P.	20/12	175	150	✠World of Leather	160	.....	bg2.5	3.0	2.8	21.6

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing Price	+ or −
87.305	£50	—	32⅞	29⅝	Australia 9½% Ln. 2012	32⅛	.....
91.443	£30	17/1	29⅝	27½	Bank of Greece 10¼%Ln. 2010	28¾	.....
‖	Nil	6/1	10pm	½pm	Biomechanics 8% Cnv. Uns. Ln. 1991.	8pm	.....
§100	£10	—	10⅜	10¼	*Bristol Water 11.2% Red. Deb. 2005-09.*	10⅜	.....
§96.456	£25	27/11	118½	99¼	Brixton Est. 10¾% 1st. Mort. Deb. 2026	99½	.....
¶100	£10	23/1	11¼	11¼	Chester Water. 8% Red. Pref. 1992.	11¼	.....
‖	Nil	3/1	11ppm	5ppm	✠Cont. Microwave 6% Cnv.Red.Pf.2005	8ppm	.....
§ 8.324	£40	3/12	44¼	40¾	Est. & Gen. Inv.11¼%1stMort.Deb.2018	44¼	.....
§100	£10	30/1	10⅜	10	East Anglian Water 11.5%Rd.Db.1995-97	10⅜	.....
§100	£10	30/1	10⅜	10	*Essex Water 11.5% Red. Deb. 1995-97.*	10⅜	.....
§100	£10	30/1	10⅜	10¼	Do. 11.3% Red. Deb. 2005-09.	10⅜	.....
§97.617	£25	31/1	27¾	25¾	Evans of Leeds 11% 1st.Mort.Deb. 20.25	27	.....
**	F.P.	—	162	161	Gable Hse. Props. 10¾% Cnv. Ln. 95/99	162	.....
95.603	£25	10/1	25¾	24¼	Haslemere 10½% 1st Mort. 2016	25¾	.....
88.466	£30	24/1	32½	29⅝	Intl. Bk. for Rec. & Dev. 9½% Ln. 2010	32½	.....
§92.899	£25	31/1	25⅝	23⅞	Land Securities 10% Deb. 2025.	25⅝	+⅛
—	F.P.	—	100⅛	99¾	Nationwide Bldg. Soc. 11⅝% 17/11/86	100⅛	.....
§98.43	£25	21/2	25⅝	24⅛	Peachey Prop. 10½% 1st Mort. Deb. 2015	25¼	.....
§99.515	£40	—	40¾	40⅝	Rosehaugh Greycoat 11% 1st Mt Db 2014	40½	.....
§39.967	F.P.	19/4	40⅓	39⅝	Safeway Deep Dis. Stepped Ln. 2011	40⅝	+⅛
¶87.25	£30	30/4	31½	29⅞	*Sweden (Kingdom of) 9¾% Ln. 2014*	31½	.....
‖	Nil	—	37pm	28pm	Tozer Kemsley 8½% Cnv.Cum.Prf.20p	36pm	.....
§98.650	F.P.	10/1	100½	99¾	Yeoman Inv. Tst. 11¼% Deb. 2015	100½	.....

RIGHTS OFFERS

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −
9½	Nil	10/1	1½pm	¼pm	Barker & Dobson 1p	¼pm	−¾
25	F.P.	2/1	54	40	Comm. Bk. Wales	54	.....
270	Nil	9/1	50pm	40pm	Countryside Props	50pm	.....
130	Nil	—	34pm	27pm	Crown House	34pm	+4
94	*Nil*	24/1	18pm	13pm	✠Dencora	14pm	−2
106	F.P.	10/1	135	125	Fisher (Albert) 5p	155	.....
365	Nil	—	80pm	77pm	Lucas Inds. £1	80pm	+5
2½	Nil	8/1	4pm	2½pm	✠Metal Sciences 2½p	3pm	−½
60	Nil	23/12	4pm	½pm	✠Pavion Intl.	¼pm	.....
32	Nil	10/1	4pm	1½pm	Readicut 5p	3½pm	+1½
240	Nil	20/1	45pm	37pm	Samuelson Grp. 20p	37pm	.....
187	Nil	—	36pm	25pm	Wedgwood	25pm	−5

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimates. *g* Assumed dividend and yield. H Dividend *and Yield based on prospectus or other official estimates for 1986. u* Forecast otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (a). † Units comprising 5 ordinary shares and 1 warrant.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
AE	Dec 16	Final 2.5
Argyll Group	Dec 4	Interim 2.1
*Associated Newspapers	Jan 9	Final 9.5
*Avon Rubber	Dec 4	Final 3
BET	Dec 20	Interim 2.75
*BOC	Dec 4	Final 4.55
*Baker Perkins	Dec 12	Interim 2.6
**Bass*	*Dec 5*	*Final 5 6*
*Borthwick (T.)	Dec 10	Final 0.26
*Cape Inds	Dec 4	Interim due
*Charter Cons	Dec 11	Interim 3.75
*Chloride	Dec 10	Interim due
*Coalite	Dec 4	Interim
Dobson Park	Dec 10	Final 3.31
*English China Clay	Dec 2	Final 6
*Ferranti	Dec 5	Interim 0.12
*GEC	Dec 3	Interim 1.35
**Granada*	*Dec 11*	*Final 4.1*
*Grand Metropolitan	Dec 19	Final 5.5
*Greenall Whitley	Dec 10	Final 1.928
*Greycoat	Dec 12	Interim 0.75
GUS	Dec 6	Interim 6.25
*Habitat Mothercare	Dec 5	Interim 2.4
*Hanson Trust	Dec 5	Final 3.25
Haslemee Estates	Dec 13	*Interim* 2.3
Hunting Gibson	Dec 12	Interim 0.20
*IC Gas	Dec 10	Interim 5.25
*Intl Leisure	Dec 12	Interim 2.0
Lond Merchant Securities	Dec 13	Interim 0.7
*McCorquodale	Dec 10	Final 3.4
**Meyer Intl*	Dec 10	Interim 1 8
**Norcros*	*Dec 10*	*Interim 2.6*
*Nthrn Foods	Dec 12	Interim 4.25
*Pegler-Hattersley	Dec 4	Interim 5.25
*Pilkington Bros	Dec 12	Final 5.0
*Polly Peck Intl	Dec 2	Final 2.5
*RHM	Dec 3	Final 2.756
Scot and New Breweries	Dec 17	Interim 1.9
Stock Conversion	Dec 17	Interim 2.5
Tate and Lyle	Dec 12	Final 12.5
*Trafalgar House	Dec 2	Final 5.3
Vaux Brews	Dec 13	Final 6 655
Westland	*Dec 18*	*Final 5.25*
*Wlvrhmpton and Dudley Brws	Dec 9	Final 5.05

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip *issue since made.* ¶ *Forecast.*

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Brownlee, Buffelsfontein Gold Mining, Dominion International, FKB, FKI Electricals, International Signal and Control, Lynton, Benjamin Priest, TR Natural Resources Investment Trust, Transcontinental Services.

Finals: Beatrix Mines, Chrysalis, Dundee and London Investment Trust, Grootvlei Proprietary Mines, Marievale Consolidated Mines, Polly Peck, St. *Helena Gold Mines, Stilfontein Gold* Mining, Telecomputing, Trafalgar House, West Rand Consolidated Mines.

FUTURE DATES

Interims—

Deelkraal Gold Mining	Dec 10
Doornfontein Gold Mining	Dec 10
Driefontein Consolidated	Dec 10
Kloof Gold Mining	Dec 10
Libanon Gold Mining	*Dec 10*
Lister	Dec 4
Property Holding and Inv. Tst.	Dec 9
Reed Executive	Dec 12
UKO International	Dec 12
Venterspost Gold Mining	Dec 10
Vlakfontein Gold Mining	Dec 10
Yellowhammer	†Dec 11
Zygal Dynamics	Dec 20

Finals—

Clydesdale (Transvaal) Collieries	Dec 12
Cooper (Frederick)	Dec 11
Daily Mail and General Trust	Jan 9
Dobson Park Industries	Dec 9
Grainger Trust	Dec 4
Hardanger Properties	*Dec 4*
Johnson and Firth Brown	Dec 9
M and G Group	Jan 30
Reliant Motor	Dec 9
Whessoe	Dec 12

† Amended.

Financial Times
ARCHITECTURE AT WORK
1985 Award for Industrial and Commercial Buildings — Joint Winners

The Financial Times Architecture at Work Award is one of the few prizes given by an organisation that has no professional interest in architecture. Now in its fourth year, it continues to encourage the elevation of design and environmental standards in all kinds of places where people work.

Much of the strength of the award comes from its independence – the two architect assessors are assisted by a prominent layman selected by the Financial Times. This year the architects are Richard Burton of Ahrends Burton & Koralek and Eva Jiricna of Jiricna Kerr Associates (the first woman architect to be an assessor) and the layman is Lord Gibson, a prominent businessman and currently Chairman of the National Trust.

1985 has been another good year with over 100 entries. From an extensive shortlist the assessors have chosen two entries that are both so distinguished that they share equally in this year's award. It is particularly gratifying that for the first time a major office building in the City of London has qualified for the award. The combination of a well designed office building with an almost revolutionary research centre, as joint winners, demonstrates how broad the range of entries has become as well as the encouraging spread of design excellence.

Assessors' Report
Schlumberger Research Centre, Cambridge

There is no doubt that this is one of Cambridge's latest landmarks – the architect has transformed a difficult brief into a building with a remarkable identity.

The planning requirement to provide close contact between all users of the centre has been successfully satisfied with the two research wings facing the central testing station and library/meeting area.

From the environmental point of view maximum light and ventilation in all areas has been achieved with the additional benefit of interesting views between all parts of the building. The dual use of certain areas, like the library and dining area, works well and the pleasing sense of spaciousness is most agreeable. The use of the special membrane roof allows the covered plant area to be effectively used in the middle of a working environment. The jury were concerned, however, about the maintenance of the cleanliness of the roof membrane.

As the building has been designed to allow for expansion of some 50 per cent, the jury hopes that the distance from the car park to the entrance can be covered or sheltered from East Anglian winds. The landscaping was considered to be inappropriately scaled for the building, as it is at present.

The jury found their visit to this building to be an exciting experience and were gratified that their enthusiasm is shared by such a discriminating client.

Architect: Michael Hopkins and Partners

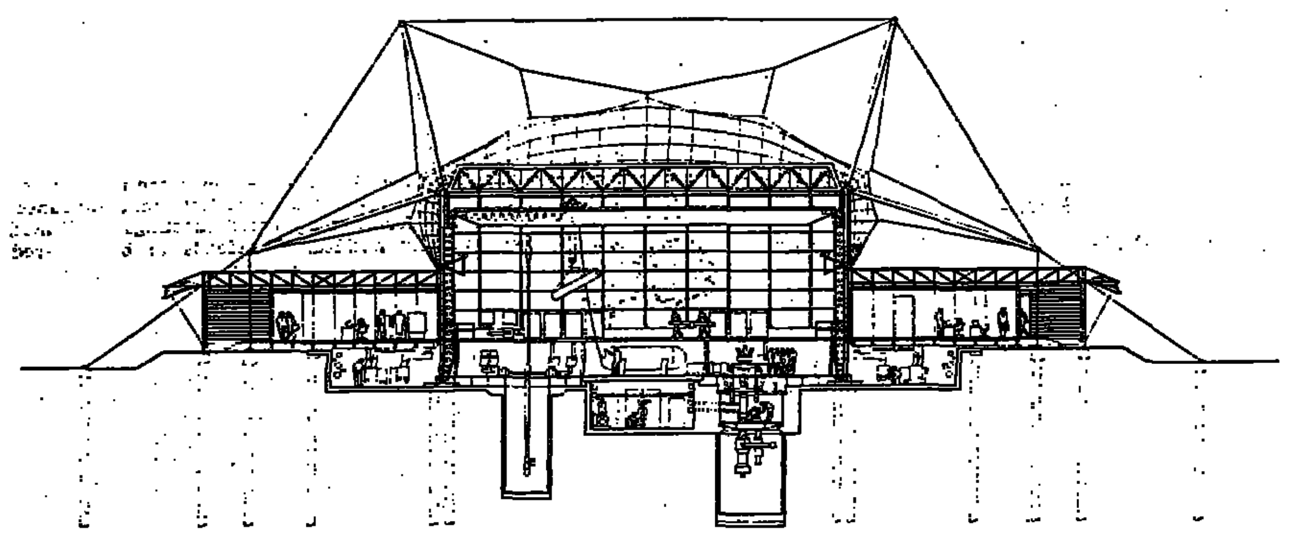
Structural Engineers: Anthony Hunt Associates

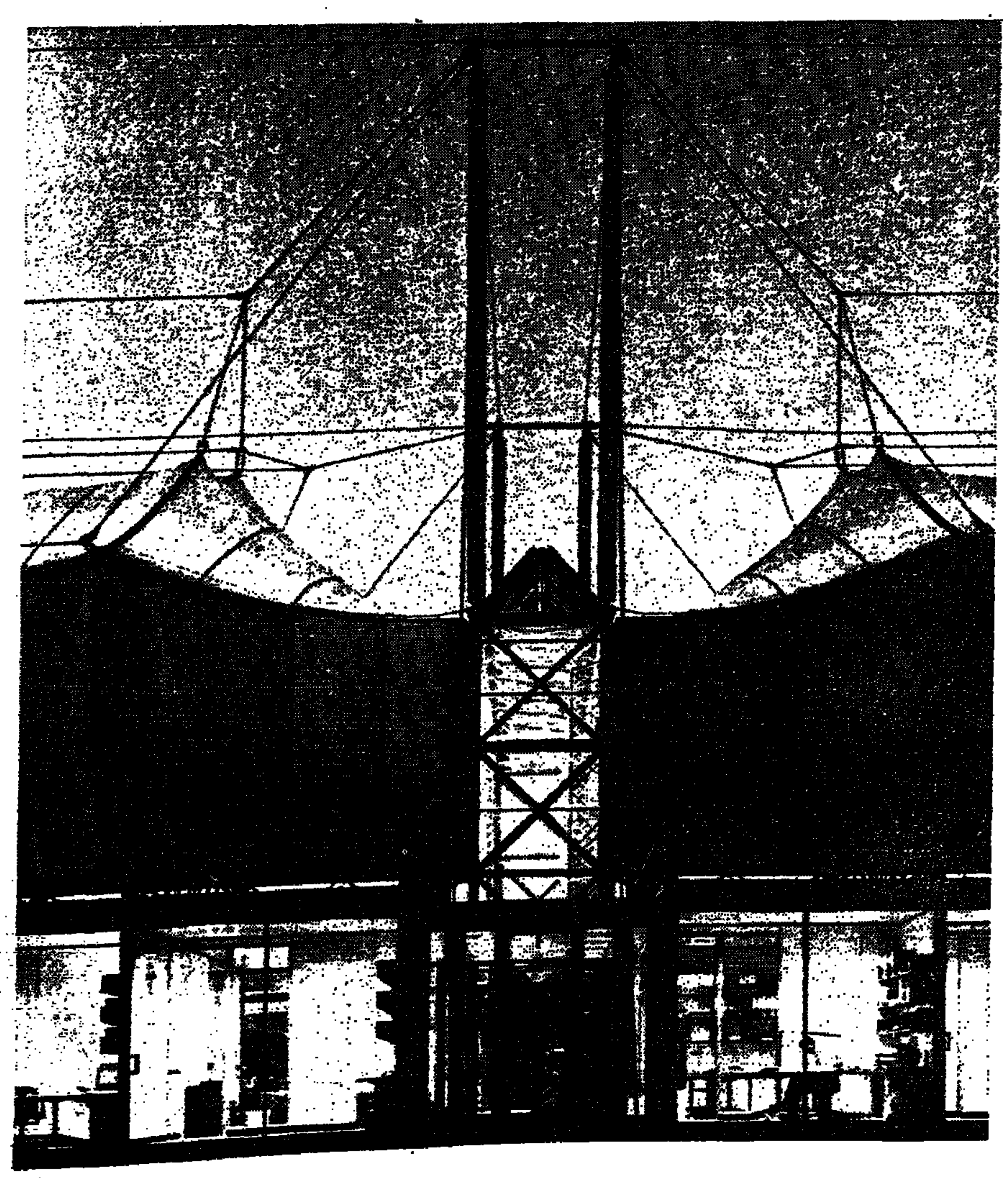
Structural Engineers for the membrane and cables: Ove Arup and Partners

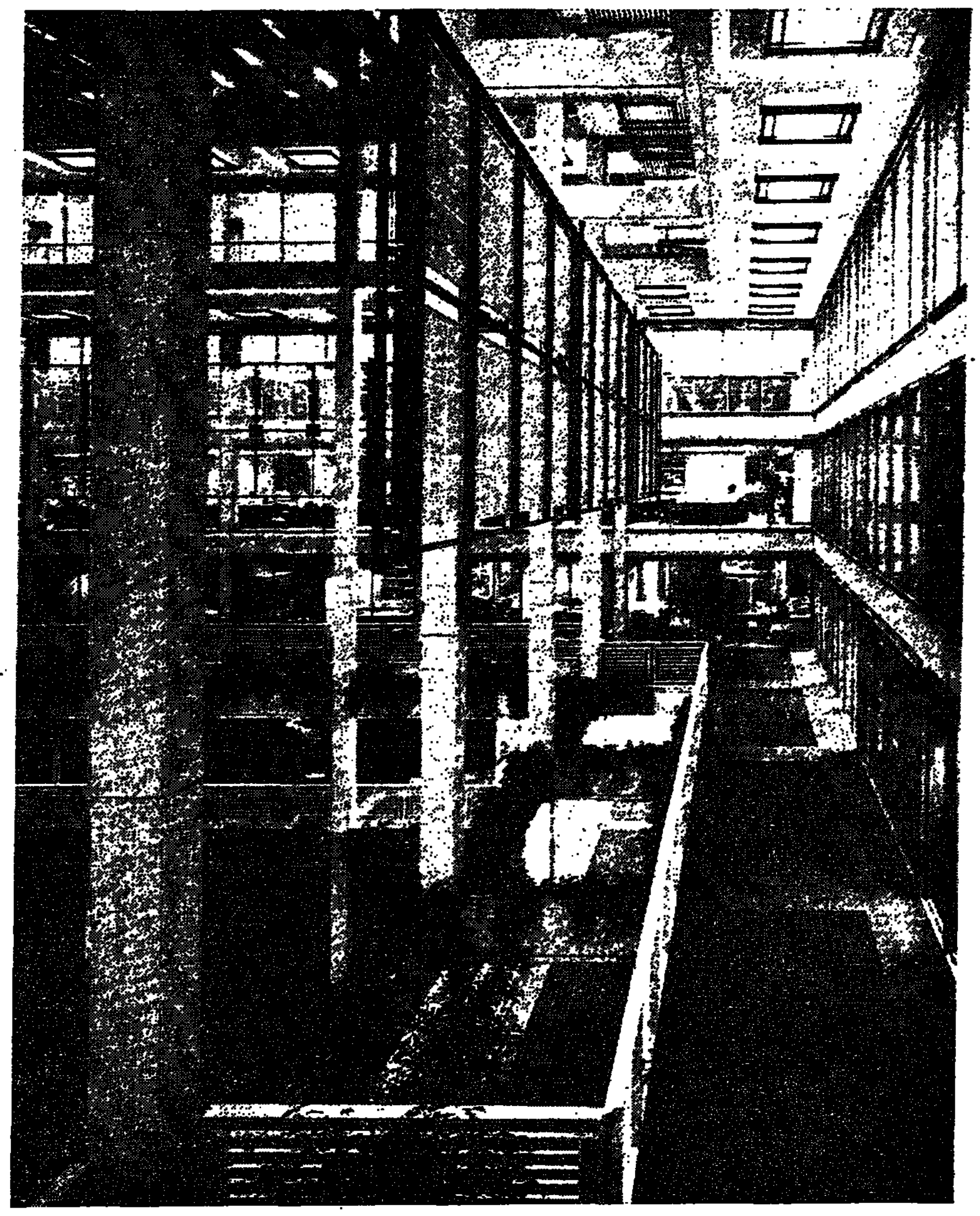
Services Engineer: YRM Engineers
Quantity Surveyor: White and Turner

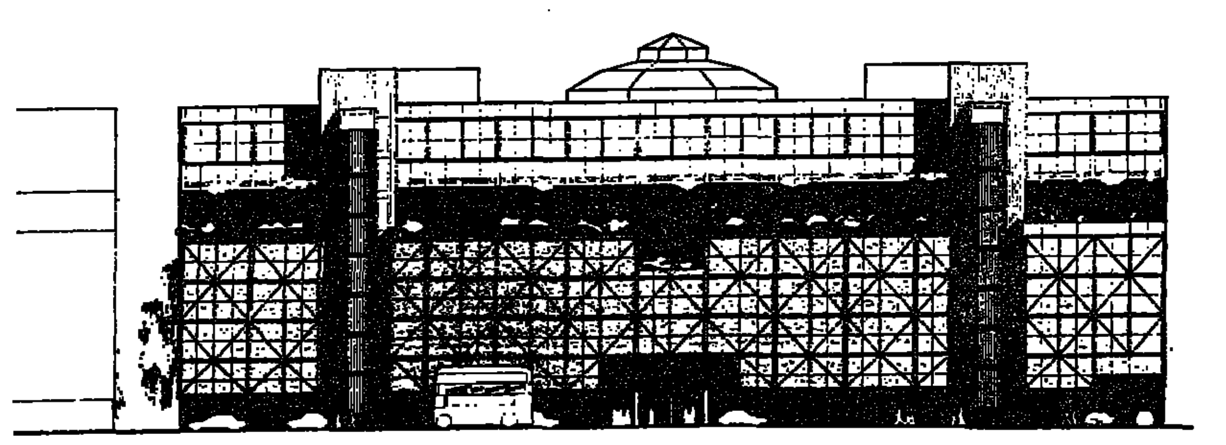
Client: Schlumberger Cambridge Research Limited

Contractor: *Bovis Construction Limited*









Assessors' Report
1 Finsbury Avenue, London EC2

This is a very successful example of a speculative office building.

The developers have briefed their architects thoroughly and sensitively, and the architects have developed the atrium building type in an extremely satisfactory way to meet the brief. The exterior presents a serious, almost austere face to the outside world. This will be softened and lightened in summer by careful planting at the higher levels. The interior atrium has a pleasant proportion and is well lit by an elegant glazed rooflight. It is a refreshing place to be in, if a little fussy in the detail and plantings. The use of the atrium for music and social events adds to its relevance. The jury felt that it was a pity that more use was not made of the interior balconies by the occupants. The building is beautifully put together and the use of fine materials is carried through with great benefit to the legibility of the building.

It is extremely heartening to see responsible developers building high quality offices and employing such talented architects.

Architects, Engineers and Quantity Surveyors: Arup Associates

Client: Rosehaugh Greycoat Estates Limited

Contractor: Laing Management Contracting Limited

For illustrated Award Brochure telephone Financial Times Press Office 01–248 8000

FT REGIONAL REPORT

DARLINGTON

AROUND BRITAIN

Balance within the Darlington economy is the key to its *success compared* with similar big North-east centres, helping cheat the worst effects of *structural* change

Island in a sea of change

By Nick Garnett

THE TOWN of Darlington is an economic anomaly. Its economic health and future is partly linked to the heavy metal-shaping side of manufacturing, but Darlington has for two decades cheated the worst effects of change in a region which has experienced great structural shifts in industry.

During that period unemployment has remained consistently lower than that of the north-east as a whole. It is now some 5 per cent less than the average for the region, which itself has one of the worst rates in Britain.

Indeed, at the beginning of the recession in 1979, the town's unemployment rate of 6 per cent was little more than the national level. They kept pace until a year ago, when Darlington began to marginally pull away, and now stands at 15.4 per cent. This compares with levels of 20 to 25 per cent in other north-eastern towns historically dependent on manufacturing.

Why has Darlington, with a population of 100,000, performed better than north-east districts centring on Sunderland, Middlesbrough, Hartlepool and Tyneside?

At first sight the town looks no less vulnerable than these similar centres. Six engineering companies each employ more than 300 people and total more than 4,500 workers, some operating in markets prone to serious seasonal variation. All these activities, and that of cigarette-maker Rothmans Export, look secure in the medium term. But the loss of one or two could have an unpleasant impact on employment.

In the past two years manufacturing sites owned by Phoenix Tubeman, Darlington Wire Mills, John Vickers, Castings Maker and the Darlington railway plant foundry have partly or wholly closed, causing small jumps in unemployment.

Creation of new jobs in small manufacturing business during the 1960s and 1970s in Darlington was also rather poor. The area's intermediate development area status reflects its difficulties.

The key to its comparative success is perhaps the balance within its economy, an advantage not shared by other centres in the north-east, except for Newcastle.

Darlington suffers from the branch plant syndrome—the closure of production sites by distant parent companies with the onset of recession—but also has sizeable manufacturing employers with headquarters in the town. These include steel re-rollers Darlington and Simpson, engineers Whessoe (with three divisions in the town) and Darchem, the insulation systems

company with expertise in the nuclear industry.

Darlington has a larger middle class than comparable areas in the region. Three-quarters of houses are privately owned, compared with 59 per cent for Durham as a whole. The property-owning stake is crucial in raising money from banks for the start-up of small businesses, which Darlington Borough Council has been promoting for five years.

Nor has the town ever been dependent on the grouping of coal mining, shipbuilding and steel that have long been declining as employers. It was fortunate to attract Rothmans in the mid 1970s—the biggest new job project in County Durham during the decade.

Hugh Routledge

The clock tower and market square: a focus for Darlington, which is a market town and the largest shopping centre in Durham

Underpinning Darlington is its role as market town for a large and wealthy agricultural area. It also has the biggest shopping centre in Durham measured in turnover. The town is a thriving, if small, service centre with a civic theatre, an £11m conference and sports centre, the Darlington Building Society, and the printing of 10 north of England newspaper titles, including an evening and regional morning paper.

These activities provide a constant stream of income. As a sign of confidence, English Estates is developing small and medium sized office suites in the commercial centre.

Darlington is an insular town which feels distinct from the rest of the region. It lies in Durham, on the boundary of rural North Yorkshire, but hardly feels part of the county.

It identifies more with Teesside, as a manufacturing town with rows of terraced houses built in the historic mould of a railway centre. Yet this is only a partial identity as it lies on the urban area's western fringes.

It has a Tory MP and local authority control swings between Labour and Conservatives.

One of its biggest assets is communications. It sits on the main London-Edinburgh high-speed rail line, next to the A1(M) and close to Teesside airport and docks.

Darlington has, nevertheless, suffered traumas. In the early 1960s it lost a great chunk of what was left of its railway-related manufacturing sector with the closures of rail engine makers Hawthorn and Stephenson and North Road Railways together with British Rail's Faverdale Waggon Building Works. More than 4,000 jobs disappeared.

The district was fortunate, however, to be able to attract replacement companies including Cummins, which is spending £13m to re-tool its diesel engine plant; Bowater, the cardboard container maker; and Torrington, part of Ingersoll Rand, manufacturing bearings for heavy industry.

Rothmans export, which came to Darlington 10 years ago, has been a big employer.

Other companies have also invested heavily in Darlington. Cleveland Bridge and Engineering has been reducing employment but spent £26.5m three years ago on the largest and most modern structural steel plant in western Europe.

The local authority has directed effort in the past five years towards helping businesses and promoting growth of small companies. Mr Alan Wallis, the industrial development officer, maintains close links with companies, providing information sheets on government money and aid and running a business-to-business conference.

The council offers free advice on the eligibility of schemes for financial assistance and will pay for a consultant to examine schemes it considers worthwhile.

"We think this is a cost effective way of safeguarding jobs," Mr Wallis says.

Other agencies include the Darlington and South-West Durham Business Venture, set up by business in the Community; the council-controlled Darlington Enterprise Association, which has managed a successful scheme to let a group of 27 workshops; and the Middlesbrough-based Teesside Small Business Club.

British Rail, Durham County Council, the Manpower Services Commission and Darlington have just Launched Railside Revival, a £7m scheme to reclaim land alongside a three-mile stretch of the main line.

Allan Wallis, the borough's industrial development officer, at an English Estates office development in the commercial centre

AMDEGA

Victorian style conserved

AMDEGA is a fast-growing Darlington company that has become a pace setter in producing conservatories, increasing its work force from 50 to 180 in five years.

The cedar-framed conservatories are exported to Australia and West Germany, and Mr Edward McGrath, its managing director, has just set up a dealership for North America.

Its market for Victorian-style conservatories is mainly among the well off—customers include Lord Olivier, Michael Caine and Cleo Lane. The market is large enough to encourage the company to set up a second manufacturing site in Darlington this year. One of its few headaches is the number of companies it alleges are copying its designs.

Amdega was a Leeds-based company manufacturing kitchen and garage canopies until 1972 when it bought Richardson of Darlington, which had been building conservatories since 1874 and specialising in big palm houses. Headquarters were moved to Darlington, and the company developed slowly. But under Mr McGrath, recruited from PA Consultants, expansion has been rapid.

Amdega also makes sports changing room furniture including benches, coathangers and shoe baskets, but the bulk of its £3.5m turnover and earnings come from the conservatories.

The company believes it has benefited from the rapid rise in house prices, in some areas encouraging families not to move but to spend money on their existing home.

N. G.

CLEVELAND BRIDGE AND WHESSOE

BY MIKE SMITH

Offshore prosperity hope

TWO OF Darlington's top engineering companies are pinning hopes for prosperity on developments off the shores of Britain.

Cleveland Bridge, which designs and fabricates structural steelwork for power stations, oil rigs, bridges and flood barriers, would find a path to recovery if the EuroRoute consortium wins the contract to build a link across the English channel.

Whessoe, designer and fabricator of equipment for the energy industries, hopes that a pick up in North Sea works means that after several years of retrenchment at its Darlington centre it will be able to start recruiting labour within a year.

The two companies, which have lost at least 600 jobs from a combined workforce of about 2,500 in three years, have suffered similar problems. Construction work has slowed in the UK and competition from overseas companies, particularly Japanese and Korean, has intensified.

The challenge from abroad was highlighted this year when a Japanese-led consortium won the contract for the Bosphorus Bridge. Cleveland Bridge believes it put in a competitive offer for building the bridge but the consortium of which it was a part made a higher tender than the winner for the whole project including roadworks. The Japanese also provided Turkey with an attractive loan.

British anger over Japan's "predatory financing" led to hopes that the winning consortium might soften the blow by passing on some bridge work. These hopes have not materialised.

Failure to win the Bosphorus contract was a blow to Cleveland Bridge, which is part of Cleveland Redpath Engineering, itself a member of the Trafalgar House group.

But apart from this disappointment it has come through the recession relatively well. This is largely because of involvement with large projects like the Castle Peak B power station in Hong Kong, which took 22,000 tons of steel—two-third of the company's annual output.

As work on these projects ends, however, nothing comparable has come to fill the gap. So Cleveland Bridge's plant, built only three years ago at a cost of £26m, is running at 75 per cent of capacity. In the last year it has cut its workforce by about 25 per cent to 740.

Mr Ernie Blower, general manager, says the company has responded by making itself more flexible. "The facilities here were built for the heavy end of the industry like bridge work," he says.

"We have tried to line ourselves up more for the changed market. We are looking more closely at the lighter projects in the UK."

An example is the Broadgate office building going up on the northern fringe of the City of London.

Three orders worth £4.5m have come in recent months for the Tern oilfield platform, the extension of a Dover ferry terminal and the Barking viaduct on the A406. The contracts involve 5,800 tons of steel.

These would be dwarfed, however, by orders the company would secure if EuroRoute wins the contract to build its £5.9bn bridge and tunnel scheme between the UK and France.

Most of the components would be made in depressed areas such as Scotland and the North-east. Trafalgar House is one of the main forces in the consortium, so Cleveland Bridge would benefit.

Success would probably mean construction beginning in 1987. In the meantime, Cleveland Bridge is competing for contracts including a tunnel for Hong Kong—again in the teeth of overseas competition.

The problems posed for Cleveland Bridge by foreign companies are well understood at Whessoe, where Mr Ron Bishop, managing director, is finding it difficult, if not impossible, to beat the Japanese and Koreans in some circumstances.

"We try to find out first what export finance is available for a contract. If the Japanese are supporting their companies and we know there is no prospect of support from the British, we are on a hiding to nothing."

Overseas contracts which Whessoe has won in recent years include work on the Victoria Dam in Sri Lanka, now completed, and on the Mrica hydro-electric scheme in Indonesia.

New gantry milling and drilling machine at Whessoe, which designs and makes energy industry equipment

In the UK, the company's largest involvement has been in the nuclear power industry. Its most recent work was construction and installation of the last big gas baffle assemblies and vault liner roofs for the Heysham and Torness power stations. It has also been active in North Sea oil platform construction.

But pre-tax profits fell to £4.1m on reduced turnover of £99.7m in the financial year to September last year.

Whessoe's high-pressure pipework division, centred on its Alton subsidiary in Derby, and its computer software division in Darlington, remained relatively buoyant. But heavy engineering, based next to the group's headquarters in Darlington, suffered badly and in the last two years has cut its workforce by about a half to 400.

The company forecasts improved results this year and Mr Bishop says the worst is over. This is partly because he expects orders if the Sizewell nuclear power station is given the go-ahead but mostly because of the contracts he expects to win in the North Sea.

"We expect offshore business to be good for five years," he says. "The trend towards smaller fields will be offset by the fact that they require more equipment per barrel."

One of the automatic guide vehicles which will run on electronic floor tracks at rebuilt Cummins engine production line

DARLINGTON & SIMPSON ROLLING MILLS

BY MIKE SMITH

Flourishing as others fail

ON THE day Prime Minister Margaret Thatcher won the 1979 general election, Mr John Carter took over as managing director of Darlington and Simpson Rolling Mills. Judgements on Britain's performance since then vary; that of DSRM is less debatable.

Many companies in the steel industry have floundered but the Darlington company has flourished. In the last financial year it increased exports by 60 per cent and made record profits of £5.3m on a turnover of £38.8m. The company, which makes special steel profiles, is poised for expansion and Mr Carter is confident that sales will almost triple to £100m by the end of the next financial year.

It also won its fifth Queen's Award to Industry in 1983.

Growth has not been achieved without pain. The company, owned jointly by British Steel Corporation and the Norcros industrial conglomerate, suffered reduced profits in the early 1980s as it restructured. It reduced its workforce by nearly a third to 650.

Mr Carter says the changes were essential. In the late 1970s the company came up against increasing international competition and faced substitution of its products by materials like aluminium and PVC.

"The company was labour intensive, its buildings were old and its technology outdated. It needed a change of direction," Mr Carter says.

In the last five years the company has spent about £9m to computerise roll design and turning, and to automate rolling processes. All the money, plus that for extensive remodernising of plant and buildings and landscaping of the factory complex, has come from profits.

Almost 80 per cent of output is exported by the 50-year-old company. In the early 1980s it foresaw the rise in the value of the dollar and decided to make as many sales in dollar terms as it could. Today about half the orders are dollar-denominated and the North American market is its largest, taking 42 per cent of sales.

An aggressive sales drive has also been mounted in the Middle East, which accounts for 17 per cent of turnover, and the Far East (12 per cent).

Within the next few months the company will open a representative office in Hong Kong to add to those in Antwerp and Singapore and the subsidiary company it set up in 1981 in Houston, Texas. This will provide a springboard for China, which doubled purchases from the company last year to £2m and is expected to do so again this year.

To achieve its ambitious target of a £100m annual turnover by March 1987, DSRM expects to increase output and product range and to go on the acquisition trail.

Until recently DSRM made parts of finished products. For example, it rolls the metal shapes for window frames but does not weld them together; it makes the rim base for commercial vehicle wheels but assembly is left to other companies.

Earlier this year, however, DSRM bought John Tinsley, a Darlington steel fabricating and engineering company with a workforce of 60 and an annual turnover of about £1.5m. Now the Tinsley works, a mile away from the DSRM complex, makes 40 ft goods trailers using joists made by its parent company.

Similar thinking can be expected in other acquisitions the company is planning, although it has ruled out manufacture of window frames and wheels because it does not want to compete with the companies it supplies, including Crittall Construction, the windows specialist, also part of the Norcros group.

The philosophy will be to balance the business by expanding in steel and engineering.

CUMMINS

BY NICK GARNETT

£13.5m commitment to future

THE ASSEMBLY area and workshop at Cummins' main production building in Darlington are in the middle of a £13.5m transformation which the company says will give the plant the most advanced diesel engine assembly line in Europe.

The changes, which include the introduction of 26 automatic guidance vehicles transporting engines during assembly on an electronic floor track, are being made to take the advanced B series engine due on stream in March.

Darlington will be one of three plants in the US company's international production network building the three, four and six-litre B series and will be the sole supplier in Europe.

"We are confirming Cummins' commitment to retaining a manufacturing presence in Darlington," says Mr Terry Hogg, manager of the operation.

However, Darlington will no longer be an integrated plant. For the small V, 150 to 250 hp, 6.2 litre engine the site has been building since the mid 1960s, the workshop machined almost every component except the crankshaft. The new generation of 50 to 185 hp engines will be assembled only and not fully manufactured at Darlington.

Many components, including the block, will come from the Consolidated Diesel Corporation's Rocky Mountain plant in North Carolina, a joint venture between Cummins and tractor-builder J. I. Case which has been building the B series for more than two years.

Mr Hogg says the machining workshop used in the manufacture of the small V is being consolidated into the new assembly area but the plant will begin component manufacturing on a small scale for the new engine next year.

Cummins employs 1,260 people in Darlington against a peak of 2,700 four years ago. The company says future employment will remain relatively stable.

It has two operations side-by-side in the town, housed in buildings erected in the early 1960s but still looking up-to-date. One is a plant manufacturing pumps, injectors and compressors for engines produced at Shotts in Scotland and Daventry in the Midlands.

Some of the 140 fuel sets produced on average each day are exported to the US. The plant also makes fuel equipment for the small V engine but will not do so for the new B series. The company says the plant will remain in Darlington as a fuel system producer for other engines.

The main business is engine assembly. The new assembly operation will have a capacity of more than 40,000 engines a year, about 20 per cent higher than for the small V, assembly and testing of which will continue in truncated form. Cummins says the assembly operation could be raised to 70,000.

J. I. Case will take a third of output and Darlington will also be selling kits of the engine to a licensee in Turkey for British Leyland derived vehicles assembled there.

Business in Parliament this week

TODAY

Commons—Dockyard Services Bill, Second Reading. Debate on a motion on the EEC Sugar *Regime and Starch Production* refunds.

Lords—Shops Bill, Second Reading.

Select Committees — Home Affairs: Race Relations and Immigration Sub-Committee — Subject: Immigration from the *Indian sub-continent. Witness:* Joint Council for the Welfare of Immigrants (Room 6, 4.15 pm). Public Accounts — Subject: *Nursing Manpower.* Witnesses: Mr Victor Paige, DHSS; Mr Wynn-Owen, Welsh Office; Mr W. K. Reid, CB, *Scottish Home and Health* Department (Room 16, 4.45 pm).

TOMORROW

Commons — Opposition Day, until about 7 pm debate on the problems of the Northern Region. Afterwards, debate on the Silentnight Dispute. Motions on the National Film Finance Corporation (Dissolution) Order and the National *Film Finance (Transfer of* Assets and Liabilities) Order.

Lords — Debate on the Report of the Select Committee on Overseas Trade.

Select Committees — Education, Science and the Arts — Subject: Achievement in Primary Schools. Witnesses: Standard Committee on the Education and Training of Teachers in the Public Sector; the Universities Council for the Education of Teachers (Room 15, 10.30 am). Parliamentary Commissioner for Administration — Subject: Reports of the Health Service Commissioner for 1984-85. Witnesses: Brent Health Authority; Paddington and North Kensington Health Authority (Room 5, 4.30 pm). Committee on a Private Bill — Felixstowe Dock and Railway Bill (Room 11, 11 am).

WEDNESDAY

Commons—European Communities (Spanish and Portuguese Accession) Bill. Remaining stages of the Northern Ireland (Loans) Bill. Opposed Private business after 7 pm.

Lords—Debate on the needs of the mentally ill and mentally handicapped, with special *reference to community care.* Unstarred question on the Government's attitude towards the present political and economic situation in Uganda, with particular reference to human rights.

Select Committees: Welsh *Affairs — Subject: Tourism in* Wales. Witnesses British Tourist Authority; British Hotels Restaurants and Caterers Association (Room 18, 10.30 am). Energy — Subject: Regulation of the gas industry. Witnesses: Shell, Britoil, Brindex *(Room 8, 11 am).* Treasury and Civil Service Sub-Committee — Subject: Civil Servants and ministers; Duties and responsibilities. Witness: To be announced (Room 6, 4 pm). Home Affairs — Subject: Misuse of Hard Drugs. Witness: Metropolitan Police (Room 5, 4.15 pm). Public Accounts — Subject: Housing Association Grants; Defence School of Music. Witnesses: Sir Peter Harrop KCB, Department of the Environment; The Housing Corporation. Sir Clive Whitmore, KCB, CVO Ministry of Defence (Room 16, 4.15 pm). Social Services — Subject: Prison Medical Service. Witnesses: Royal College of Psychiatrists; Royal *College of General Practitioners;* Royal College of Nursing (Room 21, 4.15 pm). Environment — Subject: Financing of Sport: Witness: Sports Council *(Room 20, 4.30 pm).* Committee on a Private Bill — Felixstowe Dock and Railway (Room 11, 10.30 am).

THURSDAY

Commons—Second Reading of the Education (Amendment) Bill. *Motion on the Police* and Criminal Evidence Act 1984 (Codes of Practice) (No. 1) Order.

Lords — Okehampton Bypass (Confirmation of Orders) Bill, Consideration on Report. Supplementary Benefit (Resources) *Amendment (No. 3) Regulations 1985,* Motion for Approval.

Select Committees: Agriculture—Subject: Disposal and Storage of Cereal Surpluses. Witnesses: National Farmers' Union; Small Farmers' Association. (Room 16, 10.45 am). Defence—Subject: The *implication* for the UK of strategic defence. Witness: Rt Hon Mr Michael Heseltine, MP, Defence Secretary. *(Room 16, 4.15 pm).* Committee on a Private Bill—Felixstowe Dock and Railway. (Room 11, 10.30 am).

FRIDAY

Commons—Private Members' Motions.

FINANCIAL DIARY FOR THE WEEK

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last *year's timetable.*

TODAY

COMPANY MEETINGS—
Browns (Charlie) Car Part Centres, Queens Hotel, City Square, Leeds, 12.30
Paterson Zochonis, Piccadilly Hotel, Manchester, 12.00
Pressac Hldgs, Post House, Bostocks Lane, Sandiacre, Nottingham, 3.00

BOARD MEETINGS—
Finals:
Beatrix Mines
Chrysalis
Dundee and London Inv Tst
Grootvlei Proprietary Mines
Marievale Consolidated Mines
Polly Peck
St Helena Gold Mines
Stilfontein Gold Mining
Telecomputing
West Rand Consolidated Mines
Interims:
Brownlee
Buffelsfontein Gold Mining
Dominion Intnl
FKB
FKI Electricals
Lynton Hldgs
Priest (Benjamin)
TR Natural Resources Inv Tst
Transcontinental Services

DIVIDEND & INTEREST PAYMENTS—
Access Satellite Intnl 2p
American Brands 97.5cts
Ashdown Inv Tst 3½pc Cum Pf 1.225p
BAT Inds 12¼pc Un Ln 2003-08 6⅛pc. Fltg Rate Cap Nts 1986-90 6.3295p
Canning (W.) 1.15p
Casket (S.) (Hldgs) 1.4p
Continental and Ind Tst 5½pc Cum Pf 1.925p
Croda Intnl 3p
Duport 0.8p
Enserch Corp 40cts
Erith 1.1p
Ford Motor 70cts
Fothergill and Harvey 2.75p
Garton Eng 1p
Horne Bros 7pc Cum Pf 2.45p. 7¼pc Un Ln 1995-2000 3⅝pc
Inco 5cts
Ingersoll-Rand 65cts
Laird Group 2.4p
Lake View Inv Tst 1p
Lamont Hldgs 1.2p
Legal and General 6.5p
Malawi Railways 3½pc 1st Db 1¾pc
Microlease 1p
Midland Intnl Fin Serv 8¼pc Gtd Bds 1986 4⅛pc
Owen Owen 1.25p
Pacific Sales Organisation 2p
Paterson Zochonis 4.35p. A 4.35p
RMC Group 4.6p
Raine Inds 0.55p
Reed (Austin) Group 1.5p. A NV 1.5p
Rickmansworth Water 3.5pc Cons 1.75p
Roberts, Adlard 2p
Ruo Estates Hldgs 3p
Securities Tst of Scotland 1.6p
Scott and Robertson 0.9p
Scottish Television A NV 2.4p
Sirdar 2.8p
South Staffordshire Water 4.9pc Class A 2.45p. 4.9pc Class B 2.45p. 4.9pc Class C 2.45p. 3.5pc 175p
TR Ind and Gen Tst 1.4p
TR Trustees Corp 4½pc Cum Pf 1.575p
Telephone Rentals 2.5p
Throgmorton Secured Growth Tst 2.75p
Tod (W. and J.) 1.65p
UEI 2p
Union Carbide Corp 85cts
Western Mining Corp Hldgs 4cts
Wiggins Teape 6¾pc 2nd Db 1981-86 3⅜pc

TOMORROW

COMPANY MEETINGS—
Bryant Hldgs, Cranmore House, Cranmore Boulevard, Shirley, Solihull, 12.00
Klark-Teknik, Stone Manor Hotel, Nr Kidderminster, Worcestershire, 12.00
New Australia Inv Tst, 4, Melville Crescent, Edinburgh, 12.30

BOARD MEETINGS—
Finals:
Leeds Group
Ranks Hovis McDougall
Trafalgar House
Interims:
Atkins Bros (Hosiery)
Birmingham Mint
Brunning
CH Inds.
GEC
Hall (Matthew)
Intnl Signal and Control
Israel (Jack L.)
Platon Intnl
Toothill (R. W.)

DIVIDEND & INTEREST PAYMENTS—
Anglo American Inv Tst 48.74746p
Bilton (Percy) 4p. Acc 0.1p
FAI Insurances 11cts
Ibstock Johnsen 1.5p
Marlborough Property Hldgs 0.225p
Minerals and Resources Corp 11.29943p
RBC Intnl Income Fd Ptg Red Pr 54cts
Ramus Hldgs 3.75p
Scottish Mortgage and Tst 3.2p
TR Australia Inv Tst 5pc Cum Pf 1.75p
Television South West Hldgs 1.15p

WEDNESDAY DECEMBER 4

COMPANY MEETINGS—
Allied London Properties, Inn on the Park, Hamilton Place, Park Lane, 12.00
Kalamazoo, Northfield, Birmingham, 11.30
Medminster, 3, Whitehall Close, SW, 11.30
Britannia Security Group, Charing Cross Hotel, Strand, WC, 12.00
Eleco Hldgs, Institute of Directors Business Centre, 116, Pall Mall, SW, 12.00
Halstead (James) Group, Piccadilly Hotel, Manchester, 12.00
Highland Distilleries, Royal Scottish Automobile Club, 11, Blythswood Square, Glasgow, 12.00
Pochins, Brooks Lane, Middlewich, Cheshire, 12.00

BOARD MEETINGS—
Finals:
Avon Rubber
BOC
Grainger Trust
Hardanger Properties
Holmes and Marchant
Interims:
Allied Colloids
Cape Inds
Coalite
Davis (*Godfrey*)
Equity Consort Inv Tst
Feedback
Gee-Rosen
Geevor Tin Mines
Joseph (Leopold)
Lister
Mountview Estates
PWS Intnl
Pegler-Hattersley
Robertson Research
Salvesen (Christian)
Alpine Soft Drinks
Boosey and Hawkes
Hicking Pentecost
Longton Industrial

DIVIDEND & INTEREST PAYMENTS—
BFG Finance Fltg Rate Nts 1986 $208.54
Bryant Hldgs 2.2p
City of Oxford Inv Tst 2.5p
European Asian Capital Gtd Fltg Rate *Nts 1987 $429.73*
Gerrard and National 3p
Lilleshall Co (The) 0.75p
Local Authority 10⅞ Bds 4.12.85 5⁷⁄₃₂pc
Offshore Mining Gtd Fltg Rate Nts 1991 $422.55
Perry Group 1.65p
Pressac Hldgs 1.5p
Abaco Invs 0.14p
Alcan Aluminium 20cts
Allebone and Sons 0.25p
Altifund Inc 4p. Cap 0.2p
Automotive Products 10.4pc Db 1996-2001 5.2pc
Avon Rubber 7½pc 1st Mtg Db 1985-90 3¾pc
British and American *Film Hldgs 1.7p*
Cadbury Schweppes 9pc 1st Mtg Db 1988-93 4½pc
Damon Corp 6cts
Downiebrae Hldgs 0.5p
Farnell Electronics 1p
First Interstate Overseas Gtd Fltg Rate *Subord Nts 1995 $210.12*
Ford Intnl Cap Corp 7¼pc Cnv Gtd Ln 1980-86 3⅝pc
Freemans 2.3p
Glynwed Intnl 7½pc Db 1989-94 3¾pc
Greenall Whitley 4½pc Db 1987-92 2¼pc. 7¼pc Db 1987-92 3⅝pc
Halstead (James) Gp 2.5p
Hopkinsons Hldgs 2p
House of Lerose 3p
Insight Group 0.975p. 1pc Cnv Ptg Pf 3.425p
Intnl Income Property 24cts
Kalamazoo 1.5p
Ladbroke Group 8pc Gtd Uns Ln 1990-92 4pc
Lloyds Eurofinance Gtd Fltg Rate Nts *1992 $204.92*
Local Authority 11⅛pc Bds 4.12.85 5⁹⁄₁₆pc
Metal Closures Group 7½pc Db 1986-91 3¾pc
Miller (Stanley) Hldgs 0.5p
Misr Finance (Cayman) Gtd Fltg Rate Serial Nts 1989 $425.73
Newhome-Veritas 9½pc Db 1993-98 4¾pc
Norscot Hotels 1.2p
Office and Electronic Machines 3p
Plasmec 1p
Rockware Group 7pc 1st Mtg Db 1988-93 3½pc
SGB Group 9¼pc Db 1991-94 4⅝pc
Sindall (William) 3p
Smith, St Aubyn 0.5p
Spirax-Sarco Eng 1.5p
VW Thermax 1p
Watney Mann and Truman 7pc Red Db 1988-93 3½pc
Wells Fargo Fltg Rate Subord Nts 1994 $210.12
Yorklyde 2.75p
Young and Co's Brewery A 3p. NV 3p

THURSDAY DECEMBER 5

COMPANY MEETINGS—
Beckman (A.), 111-113, Great Portland Street, W, 12.00
Five Oaks Invs, Association of Certified Accountants, 29, Lincoln's Inn Fields, WC, 12.00
Floyd Oil Participations, Institute of Marine Engineers, 76, Mark Lane, EC, 10.45
Mitchell Cotts, Baltic Exchange, 14-20, St Mary Axe, EC, 12.00
Thorpe (F. W.), Birmingham Chamber of Commerce and Industry, 75, Harborne Road, Birmingham, 3.15
Walker and Homer Group, Old Masons Yard, Cowbridge, South Glamorgan, 9.00

BOARD MEETINGS—
Finals:
Bass
Fairline Boats
Hanson Trust
Interims:
Castings
Edbro
Ferranti
Hargreaves
Property and Reversionary Invs
Rowlinson Securities
Scapa
Smith and Nephew

DIVIDEND & INTEREST PAYMENTS—
Ambrose Inv Tst 3.36p
Arab Banking Corp Fltg Rate Nts 2000 $403.39
Chase Manhattan Corp Fltg Rate Nts 2009 $213.28
Cons Gold Fields Gtd Fltg Rate Nts 1995 £148.81
Eastern Produce 2.5p
Gillette 65cts
Korea Development Bank Fltg Rate Nts 1989 $41.3
Local Authority 12pc Bds 11.6.86 6pc
Ramar Textiles 1.65p
Rexnord Inc 11cts
Reynolds (R. J.) Inds 37cts
Sinclair (William) Hldgs 3.6p
Sweden (Kingdom of) Fltg Rate Nts 2000 $403.49
Thorpe (F. W.) 2.5p
Vanbrugh Currency Fd Ptg A Red Pf 5.4p. Ptg B Red Pf 540p

FRIDAY DECEMBER 6

COMPANY MEETINGS—

SATURDAY DECEMBER 7

COMPANY MEETINGS—
Cradley Print, Pedmore House, Ham Lane, Pedmore, Stourbridge, 10.30

DIVIDEND & INTEREST PAYMENTS—
Local Authority 10½pc Bds 4.12.85 5¼pc
Racal-Chubb 8½pc Un Ln 1987-92 4¼pc. 8pc Un Ln 1992-95 4pc
Town and City Properties 7½pc 1st Mtg Db 1997-2002 3¾pc

SUNDAY DECEMBER 8

DIVIDEND & INTEREST PAYMENTS—
Reed Intnl 5pc Cum Pf 1.75p. 7pc Cum Pf 2.45p. 5½pc Red Un Ln 2¾pc. 7½pc Red Un Ln 3¾pc

Over-the-Counter Market

Capitalisatn. £000's	Company	Price	Change on week	Gross div. (p)	Yield %	P/E Actual	P/E Fully taxed
4,147	Ass. Brit. Ind. Ord.	121xd	−2	6.6	6.0	7.4	6.9
—	Ass. Brit. Ind. CULS	128	−2	10.0	7.8	—	—
3,589	*Airsprung Group*	*62*	*+2*	*6.4*	*10.3*	*10.3*	*13.5*
1,025	Armitage & Rhodes	41	−2	4.3	10.5	5.1	6.1
53,313	Bardon Hill	186	—	4.0	2.4	21.0	21.8
2,915	Bray Technologies	53	+1	3.9	7.4	6.5	7.5
504	CCL Ordinary	144	−1	12.0	8.3	3.5	3.3
1,288	CCL 11pc Conv. Pref.	103	—	15.7	15.2	—	—
7,198	Carborundum Ord.	120xd	—	4.9	4.1	5.9	9.3
658	Carborundum 7.5pc Pf.	94	+1	10.7	11.4	—	—
4,618	Deborah Services	59	+1	7.0	11.9	6.2	8.0
3,034	Frederick Parker	21	—	—	—	—	—
1,329	George Blair	72	−3	—	—	2.9	5.3
2,031	*Ind. Precision Castings*	*50xd*	*+5*	*3.0*	*6.0*	*13.2*	*11.0*
14,339	Isis Group	180	−1	15.0	8.3	13.8	20.7
5,728	Jackson Group	110xd	—	5.5	5.0	7.4	7.4
33,104	James Burrough	282	+7	15.0	5.3	8.9	8.9
3,293	James Burrough 9pc Pf.	95	—	12.9	13.6	—	—
8,233	John Howard & Co.	79xd	+1	5.0	6.3	6.3	9.9
3,240	Linguaphone Ord.	180s	—	—	—	6.6	6.9
—	Linguaphone 10.5pc Pf.	90s	—	15.0	16.7	—	—
16,365	Minihouse Hldg N.V.	670s	—	6.9	1.2	24.9	23.7
714	Robert Jenkins	70	−3	—	—	9.0	20.0
1,260	Scruttons 'A'	31	—	—	—	—	7.9
1,635	*Torday & Carlisle*	*67*	—	*5.0*	*7.5*	*3.4*	*8.1*
1,496	Trevian Holdings	330	—	4.3	1.3	18.8	18.4
6,280	Unilock Holdings	40	+4	2.1	5.3	10.9	10.6
15,511	Walter Alexander	121	—	8.6	7.1	6.8	8.3
4,668	W. S. Yeates	200	—	17.4	8.7	5.7	9.8

s=Suspended.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Current
World Travel Market Exhibition (01-643 3040) (until December 1) — **Olympia**

January 9-12
Holiday and Travel Fair (021-780 4171) — **NEC, Birmingham**

January 11-16
Harrogate International Toy Fair (01-226 6653) — **Harrogate**

January 12-16
International Light Show (05884 658) — **Olympia**

December 2-5
Royal Smithfield Show (01-235 0315) — **Earls Court**

December 5-6
Tax and Investment Exhibition (04868 21231) — **Wembley Conference Centre**

December 9-11
Exhibition, Conference and Incentive Travel Event—EXCITE (0737 66611) — **Olympia**

December 11-13
International Coal Utilization Exhibition and Conference (01-437 2175) — **Wembley Conference Centre**

January 1-12
London International Boat Show (0932 54511) — **Earls Court**

OVERSEAS TRADE FAIRS

Current
Autumn/Winter Ready-to-Wear Fashion Fair — PORTEX (01-493 0212) — **Oporto**

December 2-5
Oil and Gas Conference and Exhibition — ASCOPE (01-486 1951) — **Kuala Lumpur**

December 7-12
International New Computer Technology Exhibition — COMPUTER CHINA (01-486 1951) — **Beijing**

December 12-15
Coin and Card Operated Machines and Equipment Exhibition—COIN-OP (01-734 7282) — **Singapore**

December 17-19
Summer Travel Industry Exhibition—TOUR (01-437 2175) — **Amsterdam**

January 6-9
International Hotel and Catering Industries Trade Fair — HORECAVA (01-437 2175) — **Amsterdam**

January 7-9
Computers, Communications and Business Equipment Exhibition — INFO / SOUTHWEST (01-891 5051) — **Dallas**

January 9-14
International Lighting Show (01-439 3964) — **Paris**

January 11-10
International Caravan, Motor and Tourism Exhibition — CMT (01-236 0911) — **Stuttgart**

January 15-18
Asian Aerospace Exhibition (01-891 5051) — **Singapore**

January 14-19
International Furniture Show (01-930 7251) — **Cologne**

BUSINESS AND MANAGEMENT CONFERENCES

December 2-3
FT Conference: Venture capital financial forum (01-621 1355) — **Hotel Inter-Continental, W1**

December 3
Institute of Directors: The US opportunity — business investment in America. (01-839 1233) — **116 Pall Mall, SW1**

December 3-5
Unicom Seminars: Expert systems and optimisation in process control (01-940 7716) — **London West Hotel, SW6**

December 4
Oyez/IBC: Re-regulation of the City, management of change (01-236 4080) — **London Press Centre, EC4**

December 4
Dun and Bradsheet: Finance for private companies (01-377 4454) — **Cafe Royal, W1**

December 4-5
FT Conference: World Telecommunications (01-621 1355) — **Hotel Inter-Continental, W1**

December 4
Meeting Point Conferences: Selling to multiple retailers (01-734 0453) — **Strand Palace Hotel, WC2**

December 5
Monadock: Turkey (01-871 2546) — **Cumberland Hotel, W1**

December 5-6
Business Research *International:* The London international loan markets (01-637 4383) — **Hyde Park Hotel, SW1**

December 6
CBI/FIBEX: Post-acquisition strategy—How to get the best performance from your acquisitions — **Centre Point, WC1**

December 6
Sweet and Maxwell Conferences: Criminal law review 1985 (01-583 9855) — **City University, London**

December 10
Chatham House Conference: Environmental pollution — the European dimension *(01-930* 2233) — **Chatham House, SW1**

December 10
The Institute for Fiscal Studies: Insurance regulation (01-636 3784) — **Regent Palace Hotel, W1**

December 10
Oyez/IBC: Insolvency Act 1985 (01-236 4080) — **Cavendish Conference Centre, W1**

December 10-12
FT Conference: The eleventh world banking conference (01-621 1355) — **Hotel Inter-Continental, W1**

December 12
Oyez/IBC: Telecommunications (01-236 4080) — **Portman Hotel, W1**

December 12
Longman Seminars: VAT — the unexplored areas (01-242 4111) — **Barbican Centre**

December 16-17
DRI Europe: Oil markets — threats and opportunities (01-222 9571) — **Mount Royal Hotel, W1**

January 7-8
Unicom Seminars: Fundamentals of 3D graphics (01-940 7716) — **Forum Hotel, SW7**

January 13-14
Institute of Personnel Management: The secretary in personnel management (01-946 9100) — **Kensington Close Hotel, W8**

January 13
Brunel Institute: How effective is your training function? (0895 56461) — **Brunel University, Uxbridge**

January 14-15
Crown Eagle Communications: Effective project management (01-242 4111) — **Tower Hotel, E1**

January 16
Oyez/IBC: Bankers' security and the new insolvency act (01-236 4080) — **Royal Lancaster Hotel, W2**

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

INTERNATIONAL APPOINTMENTS

Borch and Soderberg made partners as A. P. Moller

BY HILARY BARNES IN COPENHAGEN

MR KARSTEN BORCH, aged 42, managing director of The Maersk Company UK, and Mr Jess Söderberg, 40, finance manager, are to become partners in he A. P. Möller business from January 1. They are the two youngest persons ever to be made partners in APM, which owns one of the world's largest commercial fleets, produces oil and gas from the Danish sector of the North Sea, operates an airline and a shipyard, and has extensive other industrial and commercial engagements in Denmark and abroad.

From the New Year, APM's partners will be Mr Maersk Mc-Kinney Möller, the 72-year-old son of the founder, Mr Leif Arnesen, 43, his son-in-law, and Mr Ib Kruse, aged 53, and Mr Bjarne Fogh, 58.

Mr Borch's started his career as a journalist with Danish television. He joined APM as public relations officer in 1971 and in 1978 was made managing director of The Maersk Company in London, which he has built up into one of the UK's biggest and most profitable shipping companies.

Mr Söderberg joined APM in 1970 straight from business university studies. Since 1981, he has been financial director of the APM business empire, which is, legally, not a group, rather a series of associated companies, of which the shipping partnership is the most important.

★

Mr Kim-A. Hueg, member of the board of management of Novo, the pharmaceuticals and enzymes manufacturers, at which he has been responsible for technical and logistical functions, has resigned. He says that at the age of 47 and after 12 years with Novo he seeks to try something new, possibly by buying into a company in the bio-technology, data or information fields.

Abell quits Orion Royal Bank

BY OUR FINANCIAL STAFF

THE ROYAL BANK of Canada has announced the resignation of John Abell, chairman and chief executive officer of Orion Royal Bank, the London Euro-Canadian dollar specialists. The resignation, says the bank, has ben accepted with regert.

"Mr Abell served Orion Royal Bank at a pivotal time in its history," says Mr R G P Styles, senior executive vice president for the Royal Bank's international and corporate banking division: "As the first chairman and chief executive officer after the Royal Bank acquired a 100 per cent share interest in Orion, Mr Abell led the bank "not only in the expansion of its capabilities in the UK and international markets but also to record profit levels in 1985.

"Mr Abell has made a valuable contribution in futhering Orion Royal Bank's market leadership and in establishing Orion as an important member of the Royal Bank Group. The work that Mr Abell has begun in these areas will continue."

Mr Styles has been appointed non-executive chairman of Orion. Mr Antonino Cravero will remain chief operating officer, and will be responsible for day-to-day operations. A successor to Mr Abell is expected to be appointed early next year.

Mr Abell said that he is resigning to pursue other business interests in the UK.

"Orion Royal Bank's profits in the year ended September 30, 1985, were at a record level, reflecting increased activity in the Euro Securities markets and in most other sectors," says Mr Abell. "I am proud of Orion Royal Bank's accomplishments but, after three years as chief executive, I recognise the need for a new type of leadership as the bank develops further both its international network and also its growing UK presence through Kitcat and Aitken and the forthcoming primary gilt dealership."

Orion earlier this year acquired a 29.5 per cent interest in the London stock brokerage firm, Kitcat and Aitken, and has announced its intention to establish a primary gilt dealership in London.

"The new developments at Orion will require continued commitment from the Royal Bank, which will be forthcoming, in recognition of the growing importance of merchant banking within the Royal Bank Group," says Mr Abell.

Scott takes over from Ford at Emhart

BY OUR FINANCIAL STAFF

MR PETER L. SCOTT, formerly executive vice president and director of United Technologies' (UTC) $3bn electronics group, has been elected chairman, chief executive and director of Emhart Corporation, it is announced by Mr T. Mitchell Ford, outgoing chief executive officer. Mr Scott will take office at the beginning of December. Mr Ford will continue as a director and will be chairman of the executive committee until his formal retirement in April.

★

THE NATIONAL Association of Securities Dealers, of the US, has elected Mr David W. Hunter, chairman of the Pittsburgh securities concern of Parker-Hunter Inc. 1986 chairman of its 31-member board.

Mr Hunter succeeds Mr Peter D. Byrne, senior vice president of Dean Wittr Rynolds.

★

Mr Declan J. Walton, of Ireland, has been appointed deputy director-general of the UN FOOD AND AGRICULTURE ORGANISATION, in succession to Mr Edward M. West of the UK, who is to retire shortly.

The FAO conference has paid tribute to Mr West in a resolution recalling his services to the organisation.

★

ALLIS-CHALMERS CORPORATION, the Milwaukee-based engineering concern, has named Mr Wendell Bueche to succeed Mr David Scott as chairman, effective January 1, on the retirement of Mr Scott, reports Reuter.

Mr Buche has been president and a director since 1981 and chief executive officer since 1984. He will continue in these capacities, and will remain a director and chairman of the board's executive committee.

Lindak in lead role at NIB

By Oli Virtanen in Helsinki

NORDIC INVESTMENT Bank has appointed Mr Jannik Lindbäk of Norway as managing director. He will replace Mr Bert Lindstrom, of Sweden, who has led NIB since its establishment in 1976. Mr Lindbäk will take up the position in March.

Nordic Investment Bank finances investment projects and exports that benefit at least two of its five owner countries, Sweden, Finland, Norway, Denmark and Iceland. During its 10 years of operation the bank has granted a total of 330 loans which have a total value of SKr 14bn ($1.8bn).

Taberman in Finnish bank switch

By Our Helsinki Correspondent

KANSALLIS OSAKE-PANKKI of Finland has appointed Mr Teppo Taberman, deputy managing director of Bank of Helsinki, a director. Mr Taberman will report to Mr Simo Karava, deputy chief general manager for administration. He is the first senior official to leave Bank of Helsinki since Union Bank of Finland, Kansallis' biggest rival, took over BoH at the beginning of November.

Barth ahead at Ciba-Geigy

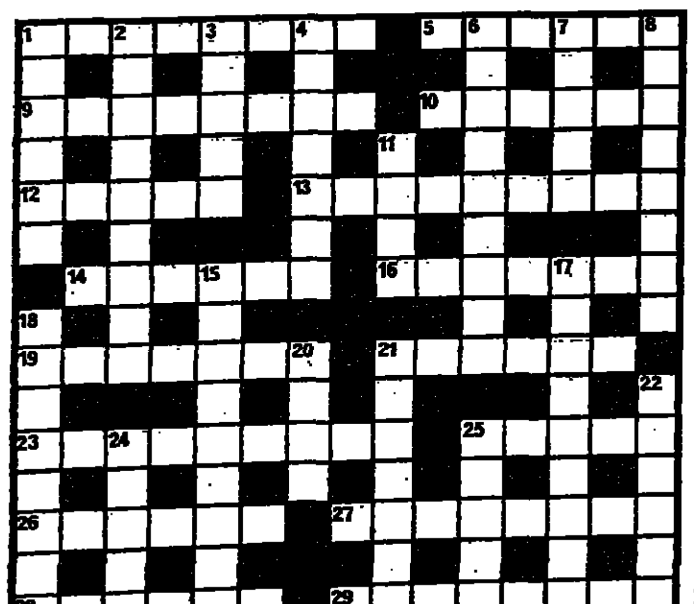
By John Wicks in Zurich

MR. RICHARD BARTH is to succeed Dr Otto Sturzenegger as board chairman of Ciba-Geigy Corporation, the Ardsley, New York, subsidiary of the Swiss Chemical concern, in April. Mr Barth is currently in charge of the American company's finance and legal departments.

At the same time, Mr Don Mackinnon is to take early retirement from his post of chief executive officer, and will be succeeded by Mr Charles O. O'Brien, head of the pharmaceutical division.

Control Data

MR MARVIN G. ROGERS, executive vice president and chief financial officer of Control Data Corporation is to retire early next year. Mr Rogers will, however, continue to serve as a consultant to the company.



ACROSS

1 Effeminate sort of showman, I (8)
5 Denry Machin embracing an untrue rumour (6)
9 On a flight, this bar steadies one (8)
10 Battle-suit (6)
12 Not a superior part of West Glamorgan (5)
13 E.g. fallen arch penalised at Wimbledon (4-5)
14 Wrench in stock (6)
16 Lear's daughter, in spectacles, leaves Mediterranean (7)
19 Princely house to transfer, without day being given (7)
21 Crazy to free capital (6)
23 Trumpet tune played without force? (9)
25 Cast of metal, for example, turned over (5)
26 One doctor in fitful sun and bright cloud (6)
27 Without strong footwear, ineffective (8)
28 Sloppy sort of dreadful novels (6)
29 In which we are trained to study points, lines etc (8)

DOWN

1 Peevish complaint about a Maori woman (6)
2 Part of big apple cocktail, say (9)
3 Wild hornet without the energy to make Cumbria, Yorkshire etc? (5)
4 Become tense? Add more scotch! (7)
6 A red finch can be a most devilish type (4-5)
7 So long — but more formal (5)
8 Offering to satisfy the country (6)
11 The game's up! (4)
15 Chance appearance by the river (9)
17 Dressing to make man tingle (9)
18 Possession of property on board, in the form of chips (8)
20 Wild-pear harvest (4)
21 Old English leaders amply developed this dance-centre (7)
22 Lower sweater? (6)
24 Dance that takes people under the bar (5)
25 Pole wearing a brave face? (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

UK APPOINTMENTS

Management change at Ward White

WARD WHITE GROUP has made a major restructuring of senior retain management and set up of a subsidiary board, the UK multiple retail operating group, under the chairmanship of Mr Roger Pedder. The new appointments include: Mr Ian Staples as managing director of Halfords division; Mr David Wood as managing director of the Focus shoes division; and Mr Christopher Wicks as managing director of the Zodiac Toys division. Mr George Cochrane, while retaining his Halfords directorship in finance, systems and distribution, takes over responsibility for systems and distribution throughout Ward White UK Retail. Mr Lynn Richards and Mr John Hambleton, respectively personnel and property directors of Halfords division, are additionally appointed to the board of the retail operating group.

★

Mr Bill Grundy and Mr Bob Milner have been appointed directors of GOLDEN EGGS, the Yorkshire based egg farmer cooperative.

★

VICKERS PRECISION COMPONENTS has appointed Mr John Bostock as its new commercial and financial director.

★

Mr Stephen Philpott has been appointed UK marketing director for SODASTREAM of Peterborough.

★

Mr Nicholas Ridley, Secretary of State for Transport, has reappointed Mr Thomas McMillan as a member of the Civil Aviation Authority from January 1 for a further 12 months on a part-time basis.

★

STEPHENSON HARWOOD has announced that Mr David Slade, 44, has joined the company to head its shipping department and to develop and expand its shipping practice. Mr Slade was previously with Constant and Constant for 19 years.

★

Mr John Bishop has been appointed a director of DOMINION INTERNATIONAL GROUP responsible for strategic planning and investor relations. He was formerly head of planning.

★

Mr Kevin Eakin, aged 30, has been appointed managing director of R.C.C. FINANCIAL SERVICES, brokers of finance, and insurance to business purchasers in the retail, hotel, catering and licensed trades.

★

Mr David Noble has been appointed general manager of National Westminster Bank's Australian subsidiary, NATWEST AUSTRALIA BANK, based in Sydney. Mr Noble was head of the shipping section, International Banking Division, based in London.

★

Mr Michael Barrett has been appointed to the board of WHYTE & MACKAY DISTILLERS as director, UK sales. He joins the company from Kimberly Clark where he held senior sales positions and prior to this he was with Lever Brothers.

★

The CONFEDERATION OF BRITISH INDUSTRY has appointed Mr David Wood as head of its Brussels office from January 1. He will be CBI's permanent delegate to UNICE, the European employers' organisation, and will represent the CBI in discussions with EEC institutions.

★

Mr Robin Wilson has been appointed financial director of BRIXTON ESTATE.

CONTRACTS

WILCON CONSTRUCTION, building division of Wilson (Connolly) Holdings, has negotiated a £1.74m design and build contract to construct 24 advance factory units for Baltic Developments at Faraday Court on the Wellingborough Enterprise Zone. The contract is short term funded by Wilcon and will provide 76,000 sq ft of units in four blocks. Work is scheduled for completion next September.

Wilcon Construction has also negotiated a £590,000 design and build contract with Jephson Housing Association of Leamington Spa to construct 26 sheltered flats for sale at Fircroft Banbury. The nine one bedroomed and 17 two bedroomed flats will be built in traditional construction in a three and four storey block. Completion is expected in November 1986.

★

G. E. WALLIS & SONS has a contract worth £80,000 for the construction of a retail and office development in the heart of Cardiff for Abbey Life Property Fund. Building will be completed in 35 weeks. The development is on the corner of Queen Street and Kingsway. Cladding is of Portland stone. Retail units are at basement and ground floor levels, with office accommodation on two upper-stories.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
80 Holdenhurst Rd, Bournemouth 0345 717373

	Bid Price	Offer Price	+ or −	Yield Gros
High Income				
Gilts & Fixed Int.	111.0	117.4xd	−2.4	10.22
High Inc Equity	78.7	83.7	−0.1	5.98
Worldwide Bond	154.1	165.1xd	−0.5	5.87
Capital Growth				
American Growth	133.6	142.1	−0.4	2.87
Asian Pacific	44.5	48.1	+0.3	2.60
Assets & Emgs. Tt.	82.5	88.0	.....	2.82
Capital Reserve	60.7	61.0	.....	—
Commodity & Engy	64.2	69.0	−0.5	1.89
European Capital	59.9	63.7	+0.2	2.35
General	122.3	130.8	−0.2	3.25
Japan	49.0	52.7	−0.4	—
Mastertrust	47.7	50.7	+0.1	1.97
UK Growth Acc Units	107.7	115.0	−0.5	—
UK Growth Dist	75.3	80.9	−0.3	1.9
U.S. Emerging Co's	51.5	55.6	−0.1	0.47
Equitas Prog	174.2	186.3xd	−0.9	3.47

Aitken Hume
30 City Road, London EC1Y 2AY 01-628 6626

American Tech Fd	100.1	107.1	−0.2	—
Pacific Fd	114.5	122.5	+0.8	0.20
Secured Income Fd	148.9	159.3	+1.1	5.50
Special Sits	170.9	182.7	+1.2	1.56
Energy Fd	28.7	30.7	+0.7	0.60
American Majors	58.9	63.0	−0.4	1.56
Small Co's Fd	32.9	35.2	+0.5	1.97
Jap. Technology	61.5	65.7	.....	0.10
International Income	51.1	54.7	+0.4	7.00
Exempt	457.1	489.0	.....	—
UK General Fund	—	25.0	.....	—

Allied Dunbar Unit Trusts PLC (a)(g)
Allied Dunbar Centre, Swindon, SN1 1EL (0793) 610366 & 28291

Balanced Trusts				
First Trust	197.2	210.0	.....	3.64
Growth & Inc Trust	115.2	122.7	.....	3.89
Capital Trust	204.5	217.8	−0.5	3.15
Balanced Trust	311.6	331.8xd	−5.5	3.74
Accum Trust	478.4	509.5xd	−0.8	2.85
Income Trusts				
American Income Tst.	27.3	29.1	−0.1	4.64
High Income Trust	207.7	221.2	−0.4	5.23
Equity Income Trust	114.1	121.5	−0.2	3.49
High Yield Trust	120.8	128.7xd	−0.3	6.39
Govt Secs Trust	28.3	29.5xd		9.76
International Trusts				
International Trst	63.4	67.5	−0.1	1.84
Japan Trust	63.3	67.4	−0.5	0.01
Pacific Trust	115.2	122.7	−1.2	1.46
AmerSpecSitsTst	57.9	61.7	−0.2	1.42
Secs.ofAmer.Tst.	173.1	184.3xd	−0.6	1.14
Specialist Trusts				
Asset Value Tst.	188.5	200.7xd	−1.1	3.88
Gilt Growth Tst.	33.5	34.9xd	−0.1	3.24
Smaller Co.Tst.	104.0	110.8	−0.2	2.77
2nd Smlr. Co's Trust	135.9	144.7	−0.2	2.77
Recovery Trust	66.8	71.1xd	−0.1	2.63
Met.Min.CmdyTst.	75.0	79.9xd	−1.1	2.48
O'seas Engs.Tst.	159.4	169.8	−0.9	3.49
Technology Tst.	78.6	83.7xd	−0.3	1.48
Exempt Trusts				
Income Ex. Tst.	105.7	112.0	.....	4.34
Far East Ex. Tst.	122.8	130.2xd	−0.7	1.77
Smaller Co.Ex. Tst.	185.9	197.1xd	.....	3.18
U.S.A. Ex. Tst.	274.0	290.4	−0.9	1.83

Anthony Wieler Unit Tst. Mgmt. Ltd
19 Widegate St, London E1 7HP 01-377 1010

Wieler Grth Fd. Inc	66.7	71.8	.....	1.60
Do. Accum.	91.5	98.4	.....	1.60

Brown Shipley & Co Ltd (a)(g)
9-17 Perrymount Rd, Haywards Hth 0444 458144

B.S. Fund	50.8	54.4	.....	4.30
B.S. Accum.	83.7	89.6	.....	4.30
Financial	108.1	116.3	.....	2.08
German	25.0	26.6	.....	2.00
Growth Accum	154.5	166.2	.....	—
Growth Income	99.8	107.4xd	.....	1.94
High Income	53.5	57.6	.....	7.12
Income	62.4	67.2xd	.....	5.92
North American	50.3	54.1	.....	1.28
Orient	50.0	53.5xd	.....	0.22
Recovery	29.3	31.6xd	.....	5.32
Technology	111.4	119.8xd	.....	0.76

Buckmaster Management Co Ltd (a) (c)
The Stock Exchange, London EC2P 2JT 01-588 2868

General Inc Nov 28	177.7	186.5xd	.....	4.40
Accum Units Nov 28	279.9	293.8	.....	4.40
Income Nov 27	82.9	86.9	.....	5.90
(Accum Units) Nov 27	142.4	149.2	.....	5.90
International Nov 26	100.6	105.1	.....	2.80
(Accum Units) Nov 26	132.1	137.8	.....	2.80
Smaller Co's Nov 29	872.9	935.6	+15.3	2.50
(Accum Units) Nov 29	915.8	981.3	+16.0	2.50

CS Fund Managers Limited
125 High Holborn, London WC1V 6PY 01-242 1148

CS Japan Fund	46.6	49.6	−0.1	0.45
CS Portfolio Inv. Fd.	57.3	61.0xd	.....	3.28

Canada Life Unit Trust Mngrs. Ltd
2-6 High St, Potters Bar, Herts P Bar 51122

Can. Gen. Dist.	98.1	103.3	.....	3.16
Do. Gen. Accum	151.9	159.9	.....	3.16
Do. Income Dist.	67.5	71.0xd	−0.1	6.22
Do. Inc. Accum.	134.8	141.9	−0.1	6.22
Gilt & Fxd. Int. Trust	36.4	38.3	−0.1	—

Cannon Fund Managers Ltd (z)
1 Olympic Way, Wembley, HA9 0NB 01-902 8876

Growth	242.2	257.7	+0.2	3.62
Income	278.2	296.0	+0.2	5.06
Far East	122.5	130.3	−1.4	0.75
North American	114.2	121.5	+0.4	1.44

Capel (James) Mngt. Ltd
100 Old Broad St, EC2N 1BQ 01-588 6010

Capital	292.8	308.3	.....	2.05
Income	229.6	241.7	.....	5.32
North American	221.3	233.0	.....	1.72

Prices on Nov 20. Next dealing Nov 27.

Cater Allen Unit Tst Managers
1 King William St, EC4N 7AU 01-623 6314

Cater Allen Gilt Tst	98.1	104.5xd	+0.1	11.62

Cent. Bd. of Fin. of Church of England‡‡
77 London Wall, London EC2N 1DB 01-588 1815

Inv Fund Oct 31		349.75	.....	4.71
Fxd Int Secs Oct 31		138.25	.....	10.34
Dep Fd Oct 31		—	.....	11.30

Charinco Charities N/R Fund‡‡
15 Moorgate, London, EC2 01-638 4121

Income Oct 31		159.51	.....	10.03
Do. Accum.		454.41	.....	10.03

Charities Official Invest. Fund‡‡
77 London Wall, London EC2N 1DB 01-588 1815

Income Oct 31		312.39	.....	5.65
Accum Oct 31		890.02	.....	—

Confederation Funds Mgt. Ltd (a)
50 Chancery Lane, WC2A 1HE 01-242 0282

Growth Fund	191.9	201.4	.....	3.5

County Bank UT Ltd
161 Cheapside, London EC2V 6EU 01-726 1999

Capital (Accum.)	238.4	253.6	+0.6	2.17
Energy Tst	44.3	47.1	−0.4	4.82
Extra Inc	138.4	147.2xd	.....	3.76
Financial	129.1	137.3	−0.3	3.26

AUTHORISED UNIT TRUSTS & INSURANCES

Allied Dunbar Assurance Plc
Allied Dunbar Ctr, Swindon SN1 1EL. 0793 28291

Fixed Int. Dep. Acc.	210.6	221.7	....	—
Equity Acc.	546.3	575.1	....	—
Property Acc.	307.5	323.7	....	—
Far East Acc.	103.7	109.2	....	—
Managed Cap.	282.3	297.2	....	—
Managed Acc.	448.2	471.8	....	—
O'seas Earnings Acc.	359.1	378.1	....	—
Gilt Edged Acc.	245.5	258.5	....	—
American Equity Acc.	310.0	326.4	....	—
American Man Acc.	152.1	160.2	....	—
American Prop Acc.	121.7	128.2	....	—
Pen.F.I Dep Cap.	231.4	243.6	....	—
Pen.F.I.Dep.Acc.	350.0	368.5	....	—
Pen. Prop Cap.	372.6	392.3	....	—
Pen. Prop. Acc.	623.0	655.8	....	—
Pen. Man. Cap.	571.5	601.6	....	—
Pen. Man. Acc.	954.3	1004.6	....	—
Pen GiltEdg.Cap.	254.1	267.5	....	—
Pen. Gilt Edg. Acc.	346.8	365.1	....	—
Pen. Eq. Cap.	971.0	999.0	....	—
Pen. Eq. Acc.	1152.9	1213.6	....	—
Pen. Am. Eq Cap.	119.3	125.6	....	—
Pen. Am. Eq Acc.	127.3	134.1	....	—
Pen. Far East Cap.	117.1	123.3	....	—
Pen. Far East Acc.	125.0	131.6	....	—
Pen. B.S. Cap.	242.7	254.9	....	—
Pen. B.S. Acc.	357.5	375.4	....	—
Pen. D.A.F. Cap.	194.8	194.8	....	—
Pen. D.A.F. Acc.	255.6	298.6	....	—
Pen. Mortgage Cap.	109.3	115.1	....	—
Pen. Mortgage Acc.	116.7	122.9	....	—

Ambassador Life Ass. Co Ltd
80 Holdenhurst Rd, Bournemouth 0202 292345

Equity Fd Acc.	206.8	212.5	−0.4	—
Equity Fd Cap.	100.2	105.5	−0.4	—

Barclays Life Assur. Co Ltd
252 Romford Road, London E7 01-534 5544

Barclaybond e.	305.9	322.0	−0.6	—
Equity Accum.	363.2	382.4	−0.6	—

Confederation Life Insurance Co
50 Chancery Lane, WC2A 1HE 01-242 0282

Life Funds

Managed Fund	502.9	529.3	....	—
Equity Fund	581.2	611.7	....	—
International Fund	190.4	200.4	....	—
Fixed Interest Fund	165.7	174.4	....	—
Property Fund	121.4	127.7	....	—
Index Linked Fund	107.6	113.2	....	—
Cash Deposit Fund	120.9	127.2	....	—
PIP Fund		1,590.8	....	—

Individual Pension Funds

Personal Pens Managed	303.0	318.9	....	—
Staffguard Managed Pen	303.0	318.9	....	—

Group Pension Funds

Group Mixed Pension	808.3	....	—
Equity Pension	1,312.4	....	—
International Pension	253.9	....	—
Fixed Interest Pension	627.4	....	—
Property Pension	480.5	....	—
Index Linked Pension	138.1	....	—
Cash Deposit Pension	162.0	....	—

Continental Life Insurance PLC
64/70 High St, Croydon CR0 9XN 01-680 5225

Equity Acc.	265.0	279.0	....	—
Property Acc.	247.3	260.4	....	—
Int. Acc.	179.1	188.6	....	—
Managed Acc.	226.8	238.8	....	—
Spec Sits Acc.	194.5	204.8	....	—
Investment Tst Acc.	110.6	116.5	....	—
Pen Int Acc.	190.5	200.4	....	—
Pen Prop Acc.	319.1	335.9	....	—
Pens Equity Acc.	410.6	422.8	....	—
Pen Mngd Acc.	251.7	265.0	....	—
Pens F & C Man Acc.	109.3	115.1	....	—
Pens Inv Trust Acc.	129.6	136.5	....	—

Prices for other funds available on 01-377 8682

Cornhill Insurance PLC
57 Ladymead, Guildford 0483 68161

♦Equity Fd Nov 27	203.0	224.0	....	—
Fixed Int. Nov 27	155.0	163.5	....	—
Man Growth Nov 27	427.5	450.5	....	—

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB 01-588 1815				
Deposit	11.15		...	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	11.79	8.81	12.91	6mth
7-day Fnd	11.65	8.71	12.75	6mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	11.19	8.38	12.19	6-Mth
7-day Fund	11.06	8.27	12.06	6-Mth
Dollar	7.06			6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq. Edinburgh, EH2 4DF 031-225 8464				
Full Service Chr Acc.	11.00	8.00	11.78	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	11.00	8.22	12.11	Qtr
Mth. Int. Chq.	11.400	8.23	12.18	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-283 9111				
HIBCA	11.50	8.60	12.78	mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc.	11.00	8.22	12.18	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	11.00	8.22	12.2	Qtr
Britannia Investment Services Ltd. 74-78 Finsbury Pavement, EC2A 1JD. 01-588 2777				
Cater Allen	11.00	8.23	12.20	Mth
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	11.13	8.32	12.34	Mth
U.S. Dollar	7.25	7.25	7.50	Mth
German Marks	4.25	4.25	4.33	Mth
Swiss francs	1.50	1.50	1.51	Mth
Japanese Yen	5.00	5.00	5.12	Mth
Citibank Savings St Martins Hse, Hammersmith Grove 01-749 9251				
Money Market Plus		9.34	13.93	Mth
Co-operative Bank Cheque & Save 78-80 Cornhill EC3 01-626 6543.				
£500-£2,500	9.50	7.10	10.41	Qtr
£2,500 +	12.06	9.02	13.33	Qtr
Dartington & Co Ltd Dartington, Totnes, Devon TQ9 6JE. 0803 862271				
Money Mkt Acc.	11.00	8.22	12.11	Qtr
Edward Manson & Co Ltd 9 Henrietta Place W1M 9AG 01-631 3313				
Cheque Deposit Acc.	11.50	8.59	12.76	Mth
Henderson/Bank of Scotland 38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc.	11.00	8.22	12.18	Mth
Legal & General (Money Mngrs) Ltd 355 Euston Road, NW1 3AG 01-388 3211				
High Int Dep Acc.	11.64	8.70	12.70	6-mth
Lloyds Bank PLC 71 Lombard St, London, EC3P 3BS. 01-626 1500				
HighIntCheque Account	11.25	8.25	12.16	Qtr
Lombard North Central PLC 17 Bruton St, W1A 3DH. 01-409 3434				
14-Day Notice	11.500	8.596	12.280	—
M & G/Kleinwort Benson 91-99 New London Rd, Chelmsford. 0245 51651				
H.I.C.A.	11.00	8.22	12.21	Daily
Midland Bank plc PO Box 2, Sheffield. 0742 20999 Ext 865				
High Int Chq Acc.	10.70	8.00	11.92	Qtr
£10,000 +	11.10	8.30	12.39	Qtr
Oppenheimer Money Mgmnt Ltd 66, Cannon St, EC4N 6AE. 01-236 1425				
Money Mngt. Acct	10.875	8.13	11.97	3-Mth
Phillips & Drew Trust Ltd 120 Moorgate, London EC2M 6XP 01-628 9771				
High Int Chq Acc.	11.250	8.41	..	Qtr
Provincial Trust (formerly Choularton) 30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
Cheque Acc.	11.50	8.60	12.79	Mth
Royal Bank of Scotland plc 24 Lombard St, London EC3V 9BA 031-557 0301				
Premium Account	11.0	8.23	12.11	Qtr
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB. 0708 66966				
H.I.B.A.	10.70	8.00	11.89	Daily
Tyndall & Co 29-33 Princess Victoria St, Bristol. 0272 732241				
Demand Acc	11.28	8.43	12.43	Qtr
Money Acc	11.03	8.25	12.15	Qtr
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc.	11.00	8.23	12.20	Mth
Over £10,000	11.25	8.41	12.49	Mth
Western Trust & Savings Limited The Moneycentre, Plymouth PL 1SE 0752 24141				
High Int Chq Acc.	11.56	8.64	12.74	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U S dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ø Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	28	Marks & Spencer	13
BAT	26	Midland Bk.	35
BOC Grp.	27	NEI	10
BSR	8	Nat West Bk.	55
BTR	33	P & O Dfd	35
Babcock	13	Plessey	14
Barclays	33	Polly Peck	22
Beecham	30	Racal Elect.	15
Blue Circle	30	RHM	12
Boots	18	Rank Org Ord	35
Bowaters	30	Reed Intnl	60
Brit Aerospace	32	Sears	11
Brit. Telecom	17	TI	35
Brown (J.)	$3\frac{1}{2}$	Tesco	24
Burton Ord	45	Thorn EMI	34
Cadburys	13	Trust Houses	17
Charter Cons.	18	Turner Newall	$5\frac{1}{2}$
Comm Union	23	Unilever	90
Courtaulds	13	Vickers	35
Distillers	36	**Property**	
FNFC	12	Brit Land	14
Gen Accident	55	Land Secs.	26
Gen Electric	14	MEPC	26
Glaxo	120	Peachey	24
Grand Met.	30	Samuel Props	15
GUS 'A'	70	**Oils**	
Guardian	60	Brist. Oil & Min.	$3\frac{1}{2}$
GKN	20	Brit Petroleum	45
Hanson Tst.	18	Burmah Oil	27
Hawker Sidd.	36	Charterhall	4
ICI	42	Premier	5
'Imps'	16	Shell	55
Jaguar	27	Tricentrol	16
Ladbroke	27	Ultramar	11
Legal & Gen	60	**Mines**	
Lex Service	24	Cons Gold	40
Lloyds Bank	35	Lonrho	12
Lucas Inds.	38	Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
25 Aug 25 Feb	Exch. 11¼pc '86	99[illegible]	19 7	11.76	11.59
11 Oct 11 Apr	Treas. 10pc Cnv 1986	99[illegible]	4 9	10.05	11.25
19 Nov 19 May	Treas. 3pc 1986	96[illegible]	14 10	3.11	10.86
19 Nov 19 May	Exch. 10½pc 1986	99[illegible]	14 10	10.53	11.19
12 Dec 12 Jun	Treas. 12pc 1986	100[illegible]	5 11	11.95	11.19
10 Jan 10 Jul	Treas. 8¾pc 1984-86‡‡	98[illegible]	3.6	8.64	11.17
29 Apr 29 Oct	Exch. 14pc 1986	102[illegible]	23.9	13.67	11.04
21 May 21 Nov	Exch. 2½pc 1986	94[illegible]	15.10	2.64	8.38

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
July	Nov.	Maclellan (P & W) 20p	47	30.9	†1.7	2.3	5.2	9.7
Oct.	May	Magnolia Group	88	16.9	2.6	3.0	4.2	10.7
—		‡Mammet Hldgs 10p	53	—	—	—	—	86.5
April		Man. Ship Can. £1	487	25.2	5.5	3.5	1.6	25.6
Oct.	May	Marley	118	2.9	3.75	2.2	4.5	14.3
Jan.	Oct.	Marling Ind. 10p	98	29.7	d1.5	5.1	2.4	11.5
Dec.	June	Marshall L'ey 'A'	74	30.9	†2.4	4.9	4.6	5.3
Jan.	July	Marshall's Universal	73	28.10	†2.0	1.4	3.9	(23.2)
June	Dec.	Do. 7½pcCnRedPf £1	88xd	25.11	7½%	—	12.2	—
—		‡Matheson 7¼%	£110	30.6	Q7¼%	2.3	17.2	—
—		‡Maxiprint 1p	19	—	—	—	—	—
Jan.	June	Metal Box £1	520xd	25.11	17.25	3.0	4.7	8.2
Nov.	June	Metal Closures	135	16.9	6.7	2.0	7.1	8.4
—		‡Metal Sciences 2½p	5½	—	—	—	—	—
July	Jan.	‡Midland Marts	80xd	25.11	4.0	2.1	7.1	9.6
Jan.	May	Mitchell Cotts	69½xd	25.11	4.25	2.0	8.7	(7.0)
Jan.	July	Morgan Crucible	284	11.11	†8.0	1.6	5.6	14.2
May		‡Morris (W) F.A. 20p	23	—	g0.5	◆	3.1	◆
Jan.	Aug.	Moss (Robt.) 10p	111xd	25.11	†3.0	2.7	3.9	11.9
July		Myson Grp 10p	65xd	25.11	g2.5	3.4	5.5	12.3
Nov.	June	‡NMW Computers	295	14.10	†4.8	2.7	2.3	22.7
Mar.	Sept.	Nash Inds.	30	14.1	†2.5	1.5	◆	6.9
Oct.	April	Neil & Spencer 10p	16	3.81	◆—	—	—	4.8
Jan.	July	Newman Inds. 10p	35	14.10	Z0.3	—	1.2	16.6
April	Oct.	Nolton	57	11.11	1.17	8.1	2.9	5.7
Jan.	Aug.	Norcros	215	15.7	8.6	2.2	5.7	10.7
Oct.	April	Nu-Swift 5p	50	14.10	†3.0	1.9	8.6	8.1
Feb.	Aug.	Oakwood Grp.	98	15.7	†d4.5	1.4	6.6	(14.4)
Dec.	July	Office & Elect.	212	28.10	†7.5	2.6	5.1	10.9
October		Oldacre 20p	83	12.8	4.0	2.6	6.9	7.4
—		‡Optometrics $0.01	40	—	nd0.2c	—	3.9	—
May	Nov.	Oriflame £1	490	30.9	†23.4	1.8	4.8	11.6
Jan.	June	Ovenstone 12½c	8xd	25.11	g03.23c	1.9	10.5	5.0
May	Nov.	Oxford 9pc Cnv 87-92	£212	15.4	Q9%	—	4.3	—
December		‡PCT Grp 10p	100xd	25.11	3.2	1.2	6.7	(24.6)

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

INSURANCES

LEISURE

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—	—	Anglo-Dominion	30	—	—	—	—
—	—	Anglo Utd Dev	35	—	bd1.05	2.1	4.3
—	—	‡Centennial Min'ls	162	—	—	—	—
—		‡Colby Res Corp	65	—	—	—	—
Aug.	Feb.	Cons. Murch. 10c	215	15.7	gQ86½c	3.9	10.5
—	—	‡Emess Int. Ir10p	32	—	—	—	—
—		Greenwich Res.	81	—	—	—	—
Apr.	Oct.	Hampton Areas 10p	140	29.7	3.75	0.9	3.6
—	—	‡Highwood Res.	140	—	—	—	—
May	Aug.	Homestake Mining $1	£16	30.10	Q20c	—	0.9
—		‡McFinley Red Lake	220	—	—	—	—
—	—	‡Musto Explorations	265	—	—	—	—
—		‡New Sabina Res C$1	42	—	—	—	—
—		Northgate C$1	225	9.77	—	—	—
Jan.	July	RTZ	532	28.10	†20.0	2.8	5.4
Jan.	July	Do. 9½pcLn '95-2000	£118½	28.10	Q9½%	14.0	8.3
—		‡Tara Expln $1	875	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ✝ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- †† Dealt in under Rule 535(3).
- ∦ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast
- ◆ Merger bid or reorganisation in progress.
- ♣ Not comparable
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ∏ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

Albany Inv 20p	100		Fin. 13% 97/02	£104¾	
Craig & Rose £1	800xd		Arnotts	225xd	
Finlay Pkg 5p	51		CPI Hldgs	70	
Holt (Jos) 25p	710		Carroll Inds.	150	+5
IoM Stm. £1	77		Dublin Gas	77	
			Hall (R & H)	56	
IRISH			Heiton Hldgs.	24	
Fund 11¼% 1988	£100⅞		Irish Ropes	45	
Nat. 9¾% 84-89	£95¼		Unidare	130	

"Recent Issues" and "Rights" Page 28
(International Edition Page 26)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security.

CONSTRUCTION CONTRACTS

Redevelopment of Heathrow terminal 3

AMEC PROJECTS has been appointed consultant contractor for one of Britain's biggest redevelopment projects. The management company has been appointed by British Airports Authority for the £68.5m redevelopment of Terminal 3 at London's Heathrow Airport.

This means that AMEC will be engaged on this highly complex remodelling and extension project from the outset. As consultant contractor, the company *will help the BAA team plan*, programme and implement the operation, including the formulation of labour, safety and security policies and the appointment of contractors. *This may be* extended to include the role of superintending contractor responsible for managing all aspects of the four-year programme *including construction*, renovation, and the installation and commissioning of extensive *services*.

Both the arrivals and departures sides of the international terminal will be redeveloped simultaneously, the work being *carried out in phases. Since the* terminal will remain in use throughout, careful management and programming will be essential to maintain the project on *schedule without* affecting passenger convenience.

Work on site is scheduled to *begin in the spring*, with completion planned for 1990. Mr *Derek* Green, managing director of AMEC Projects, said: "In *addition* to the construction content we will also be concerned with the procurement and installation of a *great deal of* specialised electronic and environmental equipment and services."

Tarmac projects throughout Britain

Projects throughout Britain, together worth about £10m have *been awarded to* **TARMAC CONSTRUCTION.**

*Two of the largest are in Scot*land where the company has a £1.5m contract for substructure, drainage and superstructure work in the St John's Square development at Perth, for Laing Management Contracting (Scotland); and a £1.1m contract for *a community and outdoor educa*tion centre at Linlithgow, for Lothian Regional Council.

Major projects include offices and associated site works in Bridge Street, Birmingham, for *Tarmac Properties (£1.4m); and* a retail store and tyre depot at Totton, Hampshire, for W. H. Smith Do-It-All (£1.1m).

Other contracts include the *first-phase of a multi-storey* office building in Dunstable, Bedfordshire, for Frogmore Estates *Investments (£619,000); four* terraces of factory units at Middlesbrough, for Pilkington Industrial Estate (£591,000); a Masonic Hall and car park at Bridgend, Mid-Glamorgan, for Hardanger Properties (£445,000); and a loading/unloading area, parking and external work at *Leeds, for Yorkshire* Electricity Board (£215,000).

Work on local authority homes has been awarded to the company's contract housing organisation. Two of them, together worth £652,000, are for painting 762 homes for Salford City *Council. Others are for improve*ments and alterations to 344 homes for Birmingham City *Council (£2.2m)*; and work *on* chimneys and central heating in 76 homes for St Helens Borough Council (£319,000).

Building homes in Liverpool

WIMPEY CONSTRUCTION has been awarded a contract worth £1.8m, by Liverpool City *Council*, to build 76 homes in Upper Stan*hope Street. The* 56 houses and 20 bungalows are to be built in *traditional brick/block* construction. The *houses comprise*, 18, two-bedroom; 34, three-bedroom, and four four-bedroom. Fourteen of the bungalows will have one bedroom, and the remainder will be two-bedroom homes. Work has started for completion in November, 1986.

A *design-and-build contract* valued at £889,000 has been awarded by the Council of the University of Bradford, for the construction of a hall of residence for students at Bradford University in Longside Lane. This will comprise six four-storey *blocks, divided into* 24 bedsit flats, on three floors, with concrete stairs providing central access. Bathrooms and utility rooms will be on the ground floor. It is due for completion in August.

Over £7m for Mansell in London

MANSELL, London, has a variety of contracts totalling over £7m for refurbishment, new *build, repair, maintenance* and minor works. Construction of a six-storey office block with basement car park at 4 Tenterden St, W1, under a contract worth nearly £2m for Allied Dunbar Assurance, has started, *for com*pletion in December 1986. Work has also started at Shanklin Village, Hulverstone Close, Sutton, on £850,000 of external repairs to roofs and walkways to 11 blocks of flats, for com*pletion in July 1986.*

For the Greater London Council, nearly £600,000 of *improvement has started to a* courtyard at Springfield Estate, Union Grove, SW8, for completion in November 1986. Other work includes £480,000 of external maintenance and building a new floor for two penthouse suites at 1-23 Warwick Sq, W1, for the Warwick Sq Management; for TSB England and Wales £470,000 refurbishment and fitting out of five floors of offices of 115 Regent St, W1; *at HM Land Registry, Lincoln's* Inn Fields, WC2, where the Domesday Book is being restored, £400,000 of external refurbishment for the Department of the Environment Property Services Agency.

BT orders for Laing

*Two contracts for British Tele*com have been awarded to **JOHN LAING CONSTRUCTION.** A contract at Shrewsbury valued at £3m, involves alterations to an existing three-storey office block and single-storey factory to form a district office and *computer centre*. At Coventry, Laing has been awarded a contract to complete a partially-constructed telephone engineering centre at Midland Road, Foleshill. The contract, worth around £996,000, involves completion of a partly-built motor *transport workshop, administra*tion block, and stores and workshop, plus a parking area.

★

FAIRCLOUGH CIVIL ENGINEERING'S *tunnelling division* has won a contract worth £2.7m from Thames Water Authority's *regional technology and develop*ment group for a 12 km (7.5 miles) sewer in the Darenth Valley. Running from Farningham to Sevenoaks, the new pipe*line will supersede a 100-year-old* clay sewer, which now surcharges after moderate rainfall and causes flooding.

★

WILTSHIER SOUTHERN, *part* of the John E. Wiltshier Group, is reroofing the main ward block of Basingstoke District General Hospital for Wessex Regional Health Authority at a cost of £464,247. The work has started on site and will be completed *during 1986 without any antici*pated disturbance to patients or medical services.

★

ALFRED McALPINE SERVICES & *PIPELINES* has been awarded a contract worth £100,000 for pipe laying work in County Durham. Awarded by Northumbrian Water, it involves laying small diameter main and service pipelines largely through urban areas.

★

Bootle-based **FORTICRETE** has been awarded a contract to supply 100,000 Yorkstone masonry blocks for the construc*tion of the* Prince Edward Hospital in Port Stanley, Falkland Islands. Worth £104,000, over *1,400* tonnes *of blocks will* be despatched in 20-tonne loads during the coming winter.

★

Bristol-based **ROBERT WATSON & CO (STEELWORK)** has won the £500,000 steelwork contract for the £3.5m hangar at Filton where British Aerospace *will* equip, complete and test wings for the A320 European Airbus. Main design and build contractor for British Aerospace is C. H. Pearce & Sons (Contractors). The Watson contract is for the fabrication and erection *of around 700 tonnes of steel*work for the main production hangar, which will measure some 107 m x 54 m, with a maximum height of 16 m.

Shand lays Cyprus pipeline

SHAND has won contracts totalling over £14.5m. Largest is an £8m project for the civil *engineering division to construct* the 110 km (68 miles) Cyprus southern conveyor pipeline from *Kouris Dam north east of* Limmasol to Akhna Dam east of Larnaca. Working with local joint venture partners Cybarco, the contract for the Cyprus Government, is to be completed in late 1987.

Shand's Scottish operation—Morrisons—has started work on a contract worth £3.5m to build *the A9 Alness by-pass, construct*ing a 5 km (3 miles) streach of two-lane carriageway, which will also involve building three bridges. The company also has a £1.75m contract to extend the Inverurie Academy.

Other awards include water mains, fire hydrants and a water tower construction at RAF Mildenhall; roads and sewers for Luton Borough Council; concrete insulated floor for Sainsbury; Granada Group car park and manholes—Cala Homes.

★

WALTER LAWRENCE PROJECT MANAGEMENT has been awarded a £950,000 contract for the design and construction of *seven industrial units in Elephant* Rd, close to the Elephant and Castle, SE1, on behalf of the Greater London Council. The units, which will vary in size from 2,200 sq ft to 5,750 sq ft, will be constructed from a structural steel frame, clad in brick *with a metal deck roof. Office* accommodation is provided in each unit. The GLC plans to lease the completed development to the London Borough of Southwark and will be looking for suitable tenants to bring new employment into the area.

Newcastle PO parcels office

A £2.5m contract to build a parcels office and administration building for the Post Office in Newcastle, has been awarded to **TAYLOR WOODROW CONSTRUCTION *(NORTHERN)***, Darlington. Work on the site in the city's Forth Street has started and is due for completion in February 1987. The contract calls for the construction of a single-storey, steel-framed parcels office of 1,440 sq m with *reinforced concrete foundations* and floor together with a metal roof and external cladding. Included is an adjoining five-storey administration building provid*ing 4,000 sq m of office space*. This will be linked to an adjacent building by a pedestrian bridge. The project involves external works and mechanical and electrical installations, including passenger and scissor goods lifts.

Developing Brighton Marina

BY TONY FRANCE

FOLLOWING the exercise of an option to purchase the Brighton Marina complex—at £13m for 120-year-lease—the chairman of Brent Walker *Holdings, Mr George* Walker, has announced his plans to develop the site from a yacht marina to an expanded leisure centre.

*Included will be an apart*ment hotel, a fully-equipped health hydro, a water theme park, improved marina facilities, and a residential develop*ment of some 800 homes and* a supermarket.

Sir Robert McAlpine and Sons has won the contract to build the whole of the £60m *development. McAlpine plans* to sub-contract construction of the residential buildings to its affiliate company, Wiggins, but will retain overall *responsibility for the execu*tion of the entire new *development*, which is scheduled for completion by the end of 1991.

Brent Walker has concluded a deal with Dee Corporation, Milton Keynes, for a capital sum which will be offset against the cost of acquisition of the marina.

BOWMER & KIRKLAND has secured almost £5m work. Contracts awarded include: Fitting out offices for Sun Alliance Insurance Group at Snowhill, Birmingham, worth *£868,000; a high tech* development at Wellingborough, forming Phase II of Chieftain Business Park, for Baltic Developments, worth over £1.1m; a £1m office block for Bass Properties and Aldwych Estates at East Grinstead; a £300,000 reel store for *Davidson Radcliffe*, at Toton, Nottinghamshire; a management contract worth £750,000 for the refurbishment and conversion of an existing *factory for BPCC at Milton* Keynes; a £200,000 refurbishment and conversion of a retail unit in Derby for Viking Property Group; and a warehouse at Lincoln for Equity & Law Life Assurance Society, worth £600,000.

WORLD STOCK MARKETS

Indices

NEW YORK — DOW JONES

	Nov. 29	Nov. 27	Nov. 26	Nov. 25	Nov. 22	1985 High	1985 Low	Since Com'nd High	Since Com'nd Low
●Industri'ls	1472.13	1475.69	1456.77	1456.65	1464.83	1475.69 (27/11)	1184.96 (4/1)	1475.69 (27/11/85)	41.22 (2/7/32)
Home Bnds	81.71	81.46	81.44	81.58	81.44	81.71 (29/11)	72.27 (20/3)	—	—
Transport..	690.13	683.17	676.97	676.26	682.94	702.6 (17/7)	553.03 (4/1)	702.6 (12/7/85)	12.32 (8/7/32)
Utilities	164.05	164.44	164.60	165.37	166.14	168.91 (12/7)	146.54 (4/1)	168.91 (12/7/85)	10.5 (28/4/42)
TradingVol 000's	143,650	143,650	125,050	91,710	133,750	—	—	—	—

●Day's High 1486.93 (1485.85) Low 1463.99 (1454.01)

	Nov. 22	Nov. 15	Nov. 8	year ago (approx)
Industrial dividend yield %	4.52	4.40	4.49	4.79

STANDARD AND POORS

	Nov. 29	Nov. 27	Nov. 26	Nov. 25	Nov. 22	1985 High	1985 Low	Since Comp'n High	Since Comp'n Low
Industrials	225.21	225.77	223.51	223.09	224.26	225.77 (27/11)	128.24 (4/1)	225.77 (27/11/85)	3.62 (30/6/32)
Composite	202.17	202.54	200.67	200.35	201.52	202.54 (27/11)	163.68 (4/1)	202.54 (27/11/85)	4.40 (1/6/32)

	Nov. 20	Nov. 13	Nov. 6	Year ago (approx.)
Industrial dividend yield	3.57	3.62	3.66	4.07
Industrial P E ratio	13.54	13.38	13.10	10.69
Long Gov. Bond yield	9.93	10.02	10.15	11.71

N.Y.S.E. ALL COMMON

Nov. 29	Nov. 27	Nov. 26	Nov. 25	1985 High	1985 Low
116.95	116.66	115.74	115.59	116.68 (27/11)	94.60 (4/1)

Rises and Falls

	Nov. 29	Nov. 27	Nov. 26
Issues Traded	1,926	2,004	2,019
Rises	801	1,022	793
Falls	674	545	760
Unchanged	451	437	466
New Highs	145	154	117
New Lows	12	16	20

TORONTO

	Nov. 29	Nov. 28	Nov. 27	Nov. 26	1985 High	1985 Low
Metals & Minerals	1923.92	1921.4	1918.7	1908.4	2190.07 (15/2)	1740.82 (31/10)
Composite	2857.1	2859.5	2850.5	2811.5	2857.1 (29/11)	2348.9 (8/1)
MONTREAL Portfolio	138.40	137.80	137.29	136.36	139.33 (19/7)	117.00 (4/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Texaco	3,446,200	32½	−1	ATT	975,700	23½	—
Baxter Lab	2,214,400	15⅞	−⅛	Gen Elec	895,600	65½	−½
PSEG	1,954,500	30⅞	−¼	East Air	735,800	6⅞	+⅛
Ohio Ed	1,626,500	16⅝	−⅛	Chevron Corp	627,600	38½	−1⅛
Comw Ed	1,003,300	28⅞	−⅛	IP Power	591,500	24¼	−¼

	Nov. 29	Nov. 28	Nov. 27	Nov. 26	1985 High	1985 Low
AUSTRALIA						
All Ord. (1/1/80)	990.6	991.5	994.7	996.6	1052.2 (25/10)	715.3 (7/1)
Metals & Mnls. (1/1/80)	490.6	495.0	497.7	498.6	585.8 (20/5)	382.6 (7/1)
AUSTRIA						
Credit Aktien (2/1/82)	115.18	115.40	120.37	121.93	121.93 (26/11)	59.21 (24/1)
BELGIUM						
Brussels SE (3/1/80)	2965.07	2960.48	2947.38	2983.08	2986.36 (26/11)	2090.7 (18/1)
DENMARK						
Copenhagen SE (5/1/85)	223.91	224.18	224.18	219.78	237.57 (24/10)	158.44 (8/1)
FRANCE						
CAC General (31/12/82)	247.5	249.7	248.7	247.9	249.7 (28/11)	180.9 (3/1)
Ind Tendance (28/12/84)	142.2	145.8	142.5	145.1	144.2 (25/11)	100.1 (5/1)
GERMANY						
FAZ Aktien (31/12/58)	595.62	588.95	587.85	598.74	601.98 (22/11)	382.58 (3/1)
Commerzbank (1/12/53)	1726.6	1736.0	1740.0	1765.9	1781.4 (4/11)	1111.8 (3/1)
HONG KONG						
Hang Seng Bank (31/7/64)	1716.95	1695.60	1706.39	1738.35	1762.51 (21/11)	1220.74 (2/1)
ITALY						
Banca Comm Ital. (1972)	440.07	434.75	432.38	431.49	440.07 (29/11)	228.56 (2/1)
JAPAN**						
Nikkei (16/5/49)	12766.27	12741.2	12777.8	12783.1	13055.5 (15/10)	11545.2 (5/1)
Tokyo SE New (4/1/68)	1008.5	1006.77	1009.19	1008.27	1057.65 (10/7)	916.95 (4/1)
NETHERLANDS						
ANP.CBS General (1970)	239.4	239.7	238.1	238.8	239.7 (28/11)	186.8 (3/1)
ANP-CBS Indust (1970)	216.7	215.6	212.9	212.9	216.7 (29/11)	147.9 (8/1)
NORWAY						
Oslo SE (4/1/83)	397.85	400.30	398.54	402.86	412.88 (12/11)	288.18 (2/1)
SINGAPORE						
Straits Times (1966)	(u)	695.45	697.31	717.60	852.65 (7/3)	695.43 (28/11)
SOUTH AFRICA						
JSE Gold (28/9/78)	(u)	1178.5	1222.6	1240.9	1277.1 (25/11)	829.8 (5/8)
JSE Indust (28/9/78)	(u)	1033.8	1044.6	1049.2	1049.2 (26/11)	767.1 (7/3)
SPAIN						
Madrid SE (28/12/84)	132.83	133.61	134.30	134.61	157.34 (21/11)	101.48 (2/1)
SWEDEN						
Jacobson & P (1/1/58)	1622.74	1611.84	1610.70	1593.75	1622.74 (29/11)	1265.32 (9/7)
SWITZERLAND						
Swiss BankCpn (31/12/58)	542.2	538.8	535.9	534.5	542.2 (29/11)	388.7 (3/1)
WORLD						
Capital Intl. (1/1/70)	-	245.4	245.7	244.5	245.7 (27/11)	184.6 (4/1)

** Saturday November 23: Japan Nikkei (c). TSE (c).

Base value of all indices are 100 except JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

AUSTRIA

1985 High	1985 Low	Nov. 29	Price Sch
445	225	Creditanstalt Pfd.	418
590	330	Goesser	560
1,950	400	Interunfall	1,500
435	222	Laenderbank	396
605	335	Perlmooser	765
220	144	Steyr Daimler	165
949	245	Veitscher Mag	910

GERMANY

1985 High	1985 Low	Nov. 29	Price Dm
268	100.5	AEG Telef	224.3
1,855	861	Allianz Vers.	1,748
275.3	176.8	BASF	261
270.4	185	Bayer	250.5
458	309.5	Bayern Hypo	444
450	318.2	Bayern Verein	432
459	261	BHF-Bank	455
[illegible]			

SOUTH AFRICA

1985 High	1985 Low	Nov. 29	Price Rand
1.98	1.15	Abercom	1.9
9.5	6.65	AE & CI	9.35
70.25	46.0	Allied Tech	61
62.5	39	Anglo Am Coal	62.5
38.85	22	Anglo Am Corp	38.15
696	151	Anglo Am. Gold	200
21	13.65	Barclays Bank	18
14.6	9.6	Barlow Rand	14.1
[illegible]			

JAPAN

1985 High	1985 Low	Nov. 29	Price Yen
1,555	1,040	Ajinomoto	1,100
755	415	All Nippon Air	658
2,097	1,195	Alps Electric	1,670
1,100	621	Asahi Chem	794
928	769	Asahi Glass	870
975	725	Bank Tokyo	735
576	500	Bridgestone	522
745	585	Brother Inds	600
[illegible]			

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FRANCE

[illegible]

SWITZERLAND

[illegible]

NORWAY

[illegible]

AUSTRALIA

[illegible]

ITALY

[illegible]

HONG KONG

[illegible]

NETHERLANDS

[illegible]

SWEDEN

[illegible]

SINGAPORE

[illegible]

SPAIN

[illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

Closing prices November 29

[illegible]

F—No voting rights or restricted voting rights.

MONTREAL

Closing prices November 29

[illegible]

Total Sales 3,723,145 shares

OVER-THE-COUNTER

Nasdaq national market, closing prices November 29

Continued from Page 39

[illegible]

Closing prices, November 29

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 39

NYSE COMPOSITE CLOSING PRICES

Continued from Page 38

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
8¼	3¾	WinterJ				10	7⅝	7½	7⅝	+¼
40½	30⅝	WiscEP2.48		6.4	9	126	38⅝	38¼	38½	
40⅝	28⅛	WiscPL2.76		7.1	9	36	39¼	39⅛	39⅛	−⅛
39⅝	29¾	WiscPS2.86		7.4	9	32	38⅝	38⅝	38½	−¼
40½	30½	Witco	1.48	3.8	10	27	39¼	39	39⅛	+¼
14	9½	WolvrW.24		1.8		279	13	12¾	13	
58½	35¼	Wolwth	2	3.4	11	384	58½	58⅛	58⅛	−⅜
82½	50½	Wolw pf2.20		2.7		4	82¼	82¼	82¼	−¼
5⅝	2⅝	WrldAr				22	4¼	4	4⅛	
91½	54⅛	Wrigly 1.80a		2.0	15	70	90½	88½	89⅞	+1½
4¾	2⅞	Wurltzr				2	3⅜	3⅜	3⅜	
16	10⅝	WyleLb .32		2.3	32	40	13⅞	13½	13⅞	+½
23⅝	15½	Wynns .60		3.7	12	7	16¾	16⅝	16⅝	−¼
		X Y Z								
60	35¾	Xerox	3	5.0	20	2435	u60½	59¾	60⅛	+⅛
56¾	48⅛	Xerox pf5.45		9.7		706	56⅝	56⅛	56⅛	−½
30¼	24⅝	ZaleCp 1.32		4.5	13	41	29⅝	29⅛	29⅝	+⅛
17⅛	7¼	Zapata .12		1.3	87	136	9⅜	9¼	9⅜	+⅛
61¼	32⅜	Zayre s .48		.8	17	1287	58⅝	56⅝	58⅛	+1½
25	16¼	ZenithE			919	468	18¾	18⅝	18⅝	
21⅞	15¾	Zero s .32		1.6	17	78	20⅜	20⅛	20¼	
41½	24¾	Zurnin .1.32		3.3	15	164	40	39½	39⅝	+⅛

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
45	25¼	SeaCnt .42		1.4	7	204	29½	28¾	29	−⅜
13	10⅛	SeaCt pf1.46		12.		9	12⅜	12	12	−⅜
16⅞	14	SeaC pfC2.10		13		22	15⅞	15⅝	15¾	+⅛
27½	17½	SeaLnd .48		1.8	14	681	25	24⅝	24⅞	−⅛
5½	3½	SeaCo				69	3⅞	3¾	3¾	−⅛
45⅛	36⅝	Seagrm .80		1.8	13	1926	u45½	44⅝	45½	+⅝
21	15½	Seagul			25	28	18½	18⅛	18¼	
34½	22¼	SealAir .44		1.4	18	136	32⅝	32⅛	32⅝	
32⅜	22⅝	SealPw. 1		3.9	9	107	25⅝	24⅞	25⅞	+⅝
39⅛	30	Sears 1.76		4.8	10	4014	37⅝	36⅝	37	−⅝
31⅜	24¾	SecPac 1.34		4.5	7	781	29⅞	29½	29¾	+⅛
19¼	11¾	SeligLt				20	19⅛	19⅛	19⅞	
30⅛	17½	SvcCp s			21	623	30⅜	29¾	30¼	+⅜
43⅝	31⅝	TucsEP 3		6.9	10	128	43⅝	43	43⅝	+⅛
19⅝	9⅝	Tultex .48		2.5	17	793	u19⅛	18⅝	19⅛	+½
20¼	16	TwinDs .90		5.0	14	1	18	18	18	
48⅝	30	TycoLb .80		1.7	14	222	47¾	46⅝	46⅝	−1½
17¾	12⅝	Tyler s .40		2.9	12	37	13⅞	13¾	13¾	
		U U U								
59½	39⅛	UAL	1	2.1		3070	49	47⅞	48¾	+1½
36½	28¼	UAL pf	2.40	7.9		490	30½	29⅞	30½	+⅞
17⅛	10⅞	UCCEL			18	65	15½	15¼	15⅜	+⅛
30	22⅝	UDC n	4	16	9	119	24⅝	24⅛	24⅝	
24⅛	18⅝	UGI	2.04	9.7	12	100	21⅜	21⅛	21⅛	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices, November 29

OVER-THE-COUNTER

Nasdaq national market, closing prices, November 29

Continued on Page 37

CURRENCIES, MONEY and CAPITAL MARKETS

FINANCIAL FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4885	1.4843	1.4764	1.4663	1.4513

LIFFE—STERLING £25,000 $ per £

LIFFE—EURODOLLAR OPTIONS

IMM—STERLING $$ per £

LIFFE £/$ OPTIONS

LIFFE—DEUTSCHE MARKS

LONDON SE £/$ OPTIONS

CHICAGO

US TREASURY BONDS (CBT)

PHILADELPHIA SE £/$ OPTIONS

US TREASURY BILLS (IMM)

LONDON

THREE-MONTH EURODOLLAR

20-YEAR 12% NOTIONAL GILT

CERT. DEPOSIT (IMM)

10% NOTIONAL SHORT GILT

US TREASURY BONDS

THREE-MONTH EURODOLLAR (IMM)

THREE-MONTH STERLING

FT-SE 100 INDEX

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

FOREIGN EXCHANGES

Changing fashions

BY COLIN MILLHAM

Fashions in markets change from time to time, and there were signs last week that the foreign exchanges' preoccupation with the US economy and every statistic issued from Washington, however erratic, was waning.

As the dollar's decline has become more entrenched dealers have looked for other currencies to move into, and October's German trade figures, published last week, proved a very strong advertisement for the D-mark. Exports were a record DM 49.3bn, and the trade surplus of DM 8.7bn was the second highest ever, while the surplus of DM 58.3bn for the first ten months of the year was an all time best.

A leading German bank forecast that West Germany's gross national product growth in 1986 will be higher than the US. These figures contrasted sharply with recent statistics and forecasts for the US economy.

The revised third quarter US GNP growth figure of 4.3 per cent is now widely regarded as distorted by government spending and cut price offers to clear old stock by the major car manufacturers.

This is expected to be followed by very low car sales in the fourth quarter, while the latest durable goods orders point to lower Government defence spending. Durable goods fell 2.1 per cent in October after a decline of 0.9 per cent in September.

The US trade deficit fell to $11.45bn last month, from a record $15.55bn in September, helped by a fall of 30.4 per cent in car imports, but this simply confirms how distorted the car market has been in the last few months. Total exports by the US fell 2.1 per cent, and the market remained convinced that economic growth is weakening.

The general level of expectations for fourth quarter GNP growth, at the flash estimate on December 23, is around 1.5 per cent, but it has been forecast that the figure will be flat.

A cut in the Federal Reserve's discount rate by ½ per cent to 7 per cent is now awaited, but Mr Paul Volcker, chairman of the Federal Reserve Board, has warned about taking too cavalier an attitude to money supply growth, and M1 remains well above target.

The central banks appear to have succeeded in their goal, set at the Group of Five meeting in late September, and the market is no longer looking for reasons to buy the dollar. For this reason there may be less reaction to US statistical news in future, and more attention paid to other factors.

Apart from the good German trade figures, there was also evidence that money moved into the D-mark after Mr Helmut Schlesinger, vice president of the Bundesbank, and Mr Gerhard Stoletenberg, the West German Finance Minister, made speeches rejecting calls for a more expansive monetary policy.

The D-mark, supported by the strong German economy, and sterling, underpinned by high London interest rates, were the main beneficiaries from the move out of the dollar. Other currencies in the European Monetary System were pulled up by the D-mark, but if the trend continues some EMS members may find it increasingly difficult to keep up with the German currency.

Sterling showed some signs of nervousness about oil prices, following a report that Saudi Arabia was attempting to solve its economic problems by increasing oil production, and may have exceeded its Opec quota.

£ IN NEW YORK

	Nov. 29	Prev. close
£ Spot	1.4865-1.4875	$1.4690-1.4710
1 month	0.43-0.42pm	0.44-0.43pm
3 months	1.21-1.19pm	1.20-1.18pm
12 months	3.86-3.75pm	3.73-3.63pm

Forward premiums and discounts apply to the U.S. dollar.

CURRENCY MOVEMENTS

Nov. 29	Bank of England Index	Morgan Guaranty Change %
Sterling	81.3	−9.2
U.S. dollar	126.3	+15.3
Canadian dollar	81.9	−10.5
Austrian schilling	120.8	+5.6
Belgian franc	92.5	−9.8
Danish Kroner	83.1	−3.3
Deutsche mark	129.7	+10.7
Swiss franc	152.3	+13.0
Guilder	120.1	+6.3
French franc	69.7	−11.9
Lire	44.7	−20.1
Yen	177.2	+29.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

OTHER CURRENCIES

Nov. 29	£	$
Arg'tina	1.1904-1.1927	0.8000-0.8010
Aus'alia	2.1625-2.1665	1.4585-1.4600
Brazil	13.845-13.920	9.305-9.350
Finland	8.0530-8.0860	5.4330-5.4350
Greece	218.83-223.55	147.85-150.94
H'kong	11.5535-11.5880	7.7995-7.8015
Iran	123.0*	85.10*
Kuwait	0.4295-0.4300	0.28870-0.28990
Lux'burg	76.10-76.20	51.00-51.10
Malay'sia	3.5855-3.5985	2.4175-2.4195
N'Z'land	2.5805-2.5905	1.7405-1.7450
Saudi Ar	5.4090-5.4170	3.6500-3.6510
Sin'pore	3.1045-3.1110	2.0920-2.0940
S.Af. (Cm)	4.0125-4.0340	2.6965-2.7100
S.Af. (Fn)	4.6160-4.7630	3.1010-3.2000
U.A.E.	5.4405-5.4485	3.6720-3.6730

* Selling rate.

CURRENCY RATES

Nov. 28	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.740351	0.590626
U.S.$	7½	1.09118	0.877079
Canadian $	8.98	*	1.21126
Austria Sch.	4	19.4352	15.4892
Belgian Fr	8¾	55.9422	44.7836
Danish Kr	7	10.0220	8.01124
D mark	4	2.76258	2.20585
Guilder	5	3.10972	2.48126
French Fr	9½	8.42898	6.72895
Lira	15½	1869.11	1501.56
Yen	5	219.426	177.565
Norway Kr	8	8.33693	6.65045
Span'h Pta	—	170.653	136.210
Swedish Kr	10½	8.36152	6.71448
Swiss Fr	4	2.28013	1.82783
Greek Dr'ch	20½	163.582	130.658
Irish Punt	—	0.893636	0.714254

* C$/SDR rate for Nov. 27: 1.50067.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 51.10-51.20.

POUND SPOT — FORWARD AGAINST POUND

Nov 29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4755-1.4920	1.4880-1.4890	0.44-0.41c pm	3.43	1.23-1.19 pm	3.25
Canada	2.0393-2.0608	2.0588-2.0598	0.47-0.37c pm	2.45	1.26-1.12 pm	2.31
Nethlnd.	4.17½-4.21½	4.19¾-4.20¾	2¼-1⅞c pm	5.89	6-5⅞ pm	5.54
Belgium	75.33-76.28	75.95-76.05	23-17c pm	3.16	62-53 pm	3.03
Denmark	13.50¾-13.60¾	13.55-13.56	3¾-2¾ore pm	2.77	8⅞-7⅛ pm	2.45
Ireland	1.2034-1.2129	1.2111-1.2121	0.24-0.11p pm	1.73	0.52-0.18 pm	1.16
W. Ger.	3.71¾-3.74¾	3.73¾-3.74¾	2¼-2⅛pf pm	7.02	6¾-6⅛ pm	6.62
Portugal	234-242¾	237¾-241¾	185-505c dis	−17.29	615-1525dis	−17.87
Spain	230-232	231-231½	50-90c dis	−3.63	195-310 dis	−4.37
Italy	2515½-2558¼	2551½-2552½	4-8lire dis	−2.82	13-18 dis	−2.43
Norway	11.22¾-11.31	11.26¾-11.27¾	¼-¾ore dis	−0.53	2⅞-3 dis	−0.95
France	11.32½-11.43	11.40¾-11.41¾	2⅛-1⅜c pm	1.84	4¼-2⅞ pm	1.34
Sweden	11.31-11.39½	11.36-11.37	1¼-1¾ore dis	−1.58	3⅞-4½ dis	−1.47
Japan	297¾-301½	300¾-301¼	0.94-0.82y pm	3.51	2.87-2.68 pm	3.69
Austria	26.13-26.33	26.24-26.27	12¾-10¾gro pm	5.11	34½-29¾ pm	4.89
Switz.	3.07¾-3.10¾	3.09¾-3.10¾	2-1⅞c pm	7.51	5¾-5½ pm	7.26

Belgian rate is for convertible francs. Financial franc 76.10-76.20. Six-month forward dollar 2.22-2.18c pm. 12-month 3.80-3.65c pm.

FORWARD RATES AGAINST STERLING

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

Long-term Eurodollars— two years 8¾-9 per cent; three years 9¼-9½ per cent; four years 9-9⅝ per cent; five years 9¼-9½ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

Irish Punt	0.724578	0.714234	−1.43	−0.55	±1.6673
Italian Lira	1520.60	1501.56	−1.25	−1.14	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

MONEY MARKETS

One or two hiccups

UK clearing banks base lending rate 11½ per cent since July 30

There were one or two hiccups in the short end of domestic money markets last week, but the overall trend in interest rates was little changed. London interbank rates had a slightly softer tone on Friday, as sterling moved in sight of $1.50, which is regarded as a psychologically important level, where the authorities might sanction a cut in clearing bank base rates, but there was no indication the market was convinced that rates would come down before the year end. Attention in London was mainly focused on day-to-day trading, amid some confusion as large amounts of money moved around the banking system. On Wednesday the Government broker was successful in selling an entire £1bn Exchequer convertible stock on the first day. The issue was probably twice oversubscribed, and Thursday's Laura Ashley share offer was 34 times oversubscribed.

There was also a large underlying shortage in the money market on Friday, mainly because of the number of bills maturing in the hands of the Bank of England.

In Frankfurt conditions were also confused because of month end pressures, and with call money rising to 5.50 per cent on Friday, some banks may have used the Bundesbank's Lombard borrowing facility for the first time in recent months. The sharp rise in rates was the result of banks being down on required reserve asset holdings for the month, and was not fully satisfied by the addition of about DM 5bn in liquidity by the Bundesbank through currency swaps. But there was no suggestion of any change in the basic interest rate structure.

NEW YORK RATES

(4 pm)

Prime rate [illegible]
Broker loan rate [illegible]
Fed funds [illegible]
Fed funds at intervention [illegible]

Treasury Bills & Bonds

One month	6.79
Two month	7.08
Three month	7.38
Six month	7.63
One year	7.83
Two year	8.47
Three year	8.68
Four year	8.95
Five year	9.10
Seven year	9.45
10 year	9.58
30 year	9.85

BANK OF ENGLAND TREASURY BILL TENDER

	Nov. 29	Nov. 15		Nov. 29	Nov. 22
Bills on offer	£100m	£100m	Top Accepted rate of discount	11.00503%	11.1305%
Total of applications	£369m.	£427m.	Average rate of discount	11.0153%	11.1177%
Total allocated	£100m	£100m	Average yield	11.35%	11.43%
Minimum accepted bid	£97.245	£97.22m	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	51%	17%			

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov. 29)

Three months U.S. dollars		Six months U.S. dollars	
bid 8 1/16	offer 8 5/16	bid 8 1/16	offer 8 3/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

WEEKLY CHANGE IN WORLD INTEREST RATES

LONDON	Nov. 29	change	NEW YORK	Nov. 29	change
Base rates	11½	Unch'd	Prime rates	9½	Unch'd
7 day interbank	11⅛	+⅛	Federal funds	7⅞	[illegible]
3mth interbank	11[illegible]	Unch'd	3 Mth. Treasury Bills	7.39	−0.08
Treasury Bill Tender	11.0153	−0.1024	6 Mth. Treasury Bills	7.64	−0.04
Band 1 Bills	11[illegible]	Unch'd	3 Mth. C D	7.90	+0.03
Band 2 Bills	11[illegible]	Unch'd			
Band 3 Bills	11¼	Unch'd	FRANKFURT		

[illegible]

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

LONDON MONEY RATES

Nov. 29	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	11-13	11¾-12	11⅝-11¾	11½-11⅝	[illegible]	11⅛-11¼
Sterling CDs	—	—	[illegible]	11⅝-11½	11⅛-11¼	[illegible]
Local Authority Depos	11¾	11½-11⅝	11½-11⅝	11½	[illegible]	11⅛
Local Authority Bonds	—	—	12	11¾	11½	11¼
Discount Mkt Depos.	10-11¾	11⅛-11⅝	11½	[illegible]	—	—
Company Depos	11¾-12	11¾-12	11¾	11¾	—	—
Finance Hse Depos	—	—	11¾	11⅝	11½	11¼
Treasury Bills (Buy)	—	—	[illegible]	[illegible]	—	—
Bank Bills (Buy)	—	—	[illegible]	[illegible]	[illegible]	—
Fine Trade Bills (Buy)	—	—	[illegible]	[illegible]	[illegible]	—
Dollar CDs	—	—	7.9-8.0	7.9-8.0	7.9-8.0	8.05-8.15
SDR Linked Depos	—	—	7⅞-8⅛	7⅞-8⅛	[illegible]	7⅞-8⅛
ECU Depos	—	—	[illegible]	[illegible]	8½-8⅝	[illegible]

Treasury Bills (sell): one-month 11[illegible] per cent; three-month 11[illegible] per cent. Bank Bills (sell): one-month 11[illegible] per cent; three-months 11[illegible] per cent. Treasury Bills: Average tender rate at discount 11.0153 per cent. ECGD Fixed Finance Scheme IV reference rate October 2 to November 5 (inclusive): 11.608 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12 per cent from November 1 1985. Bank Deposit Rates for sums at seven days' notice 6.25-6.625 per cent (nil). Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month: 11½ per cent; one-three months 11½ per cent; three-six months 11½ per cent; six-nine months 11½ per cent; nine-12 months 11¼ per cent. Under £100,000 10⅞ per cent from November 29. Deposits held under Series 5 11¼ per cent. Deposits withdrawn for cash 7½ per cent.

MONEY RATES

[illegible]